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DEPARTMENTS OF LABOR, HEALTH AND HUMAN SERVICES, EDUCATION, AND RELATED AGENCIES APPROPRIATIONS FOR 1991

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE

COMMITTEE ON APPROPRIATIONS

HOUSE OF REPRESENTATIVES

ONE HUNDRED FIRST CONGRESS

SECOND SESSION

SUBCOMMITTEE ON THE DEPARTMENTS OF LABOR, HEALTH AND HUMAN SERVICES, EDUCATION, AND RELATED AGENCIES

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PART 7

RELATED AGENCIES

	Page
Action	1
Corporation for Public Broadcasting	191
Federal Mediation and Conciliation Service	623
Federal Mine Safety and Health Review Commission	157
National Commission on Acquired Immune Deficiency Syndrome	827
National Commission on Libraries and Information Science	521
National Council on Disability	325
National Labor Relations Board	387
National Mediation Board	709
Occupational Safety and Health Review Commission	785
Physician Payment Review Commission	903
Prospective Payment Assessment Commission	987
Railroad Retirement Board	1067
Railroad Retirement Board: Office of Inspector General	1231
Soldiers' and Airmen's Home	579
United States Institute of Peace	1299

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DEPARTMENTS OF LABOR, HEALTH AND HUMAN SERVICES, AND EDUCATION, AND RELATED AGENCIES APPROPRIATIONS FOR 1991

THURSDAY, MARCH 29, 1990.

ACTION

WITNESSES

JANE A. KENNY, DIRECTOR
PAUL T. WEISS, ASSOCIATE DIRECTOR FOR MANAGEMENT AND BUDGET
G. GARY KOWALCZYK, COMPTROLLER

Mr. NATCHER. At this time we take up the budget request for the fiscal year 1991 for Action, and we have before the committee Ms. Jane Kenny, the Director. Ms. Kenny, it is a pleasure to have you before the committee.

At this time, before you give us your statement, tell us who you have with you there at the table.

Ms. KENNY. At the table, Mr. Chairman, I have Mr. Paul Weiss, who is the Associate Director for Management and Budget, and I also have Gary Kowalczyk, who is the Comptroller for the Action Agency.

Mr. NATCHER. We are delighted to have all three of you before the committee at this time. Now, we will be pleased to hear from you.

Ms. KENNY. Thank you, Mr. Chairman.

STATEMENT SUMMARY

Mr. Chairman and members of the committee, I am pleased to appear before you today to discuss the fiscal year 1991 budget request for Action. With your permission, Mr. Chairman, I have a statement that I would like to have inserted into the record.

I will now summarize the key points in that statement. The request totals $192,400,000, an increase of $16,800,000 or 9.5 percent above amounts available in fiscal year 1990.

With these monies in fiscal year 1991, Action will carry out its fundamental mission to stimulate voluntary citizen participation in community-based efforts to meet the needs of the poor, the disadvantaged, and the elderly.

This budget request reflects the administration's strong commitment to fostering voluntarism across the nation. In fiscal year 1991, Action's programs will support approximately one half million diverse volunteers—old and young, low income and financially able, stipended and non-stipended, full-time and part-time, students

and workers—who will engage in a wide variety of programs and projects, such as home care for the elderly, literacy enhancement, drug abuse prevention, and education, assistance for at risk youth, and housing projects for low income families.

Our budget fully implements the major provisions of the Domestic Volunteer Service Act amendments of 1989, and indeed these amendments were a cornerstone for the development of the proposals that are before you today.

Turning to our specific programs, for VISTA our request for $31,600,000, an increase of $6,500,000 or 26 percent, will support a number of provisions contained in the Domestic Volunteer Service Act amendments of 1989, including (1) 3,000 volunteer service years, an increase of 200 above the anticipated fiscal year 1990 level of 2800; (2) subsistence allowances at an average of 105 percent of the poverty line for our volunteers; (3) increases in the stipend for volunteers from $75 to $90 per month; and (4) provision of 1.5 percent of available sums to expand public awareness and recruitment activities.

In addition, the VISTA budget includes increases of $1,400,000 for expenses related to the health contract for volunteers, and proposes to expand training by more than $500,000 to increase primarily the pre-service training available to VISTA Volunteers.

We propose to double the amount of funding for the Literacy Corps in 1991 in order to expand the volunteer efforts designed to overcome the problems of illiteracy in this country. With these funds, we will increase the volunteer service year level to 575, an increase of 80 percent over the 1990 level.

We are also proposing an increase of $172,000 or 65 percent for the Student Community Service Program. Action is committed to tapping volunteer resources found among the nation's youth, and student community service projects are a proven and effective vehicle for accomplishing this goal.

Unlike any other federally funded program directed at students, the Student Community Service Program supports volunteers who receive no remuneration or tuition assistance and provide assistance only to low income communities. Our budget includes also $2,200,000 for the funding of grants related to combatting substance abuse through special volunteer programs.

In the aggregate, Action expects to spend approximately $9,600,000 for this activity in fiscal year 1991, an increase of 4 percent above the estimated amount in fiscal year 1990. For the older American volunteer programs, we are requesting $120,500,000, an increase of $3,000,000 over comparable 1990 levels or 2.6 percent.

The major budget increase is to support a growth in stipends for low income volunteers, from $2.20 to $2.35 per hour in both the Foster Grandparent and Senior Companion Programs. This increase was authorized under the Domestic Volunteer Service Act amendments of 1989. The last previous stipend increase occurred in 1983.

In fiscal year 1991 we are funding Action's Office of the Inspector General as a separate activity, with the total request being $1,100,000 and 13 positions. In the past, the functions of the Inspector General were supported from other budget activities within Action's appropriation.

For program administration we are requesting $29,200,000. This request supports a level that is essential to ensure sound administration of Action's programs, as well as to carry out certain recruitment and public awareness functions contained in the 1989 amendments to the Domestic Volunteer Service Act.

The majority of the increase will restore the agency to the full-time equivalent position level of 448, a level recognized by Congress in the previous fiscal year as essential for effective management and administration, and provide for 13 new positions devoted to VISTA recruitment activities in accordance with the 1989 amendments to the Domestic Volunteer Service Act.

Hiring will occur primarily in the regional and state staffs to ensure program development, the recruitment of volunteers, and project monitoring. Mr. Chairman, that summarizes Action's budget request for fiscal year 1991. With your permission, I would like to take this opportunity to introduce the newly appointed Assistant Director for the Older American Volunteer Programs, Connie Burns.

Ms. Burns comes to Action from the Brockton Coalition for the Homeless in Brockton, Massachusetts, where she has been Executive Director since 1987. From 1976 to 1986 she served as nutrition project director and assistant to the executive director for the Old Colony Elderly Services in Brockton.

In addition, to being a licensed social worker, she has a Master of Business Administration as well as a Bachelor of Arts degree in biology. We are very pleased to have her join the Action staff. I am now available, Mr. Chairman, to answer any questions that you and the other members of the committee may have.

[The information follows:]

OFFICE OF THE DIRECTOR
1100 VERMONT AVENUE, NW
WASHINGTON, DC 20525

STATEMENT BY JANE A. KENNY

Director

ACTION

CONCERNING THE FISCAL YEAR 1991 BUDGET REQUEST

Before the Committee on Appropriations

Subcommittee on Labor, Health and Human Services,

and Education

United States House of Representatives

March 29, 1990

Mr. Chairman and Members of the Committee:

I am pleased to appear before you today to discuss the Fiscal Year 1991 budget request for ACTION.

Our budget request totals $192.4 million, an increase of $16.8 million, or 9.5%, above amounts available in Fiscal Year 1990. With these monies in Fiscal Year 1991, ACTION will carry out its fundamental mission to stimulate voluntary citizen participation in community-based efforts to meet the needs of the poor, the disadvantaged, and the elderly.

This budget request reflects the Administration's strong commitment to fostering voluntarism across the Nation, including the creation of public/private partnerships to address the needs of local communities. ACTION, through support of established programs and encouragement of local volunteer efforts, will continue to challenge all Americans to use their energy, innovative spirit, experience and skills to the fullest advantage to address critical needs of communities and the Nation.

In Fiscal Year 1991, ACTION's programs will support approximately one-half million diverse volunteers--old and young, low income and financially able, stipended and non-stipended, full-time and part-time, students and workers--who will engage in a wide variety of programs and projects, such as home care for the elderly, literacy enhancement, drug abuse prevention and education, assistance for at-risk youth, and housing projects for low income families. As in the past, the programs we support will be defined, developed and implemented by local communities, thereby assuring that their needs are being addressed.

ACTION's basic goals, as reflected in the 1991 budget, are as follows:

1. Provide leadership as the federal domestic volunteer agency by expanding and promoting voluntarism nationwide.

2. Develop and sustain standards of excellence in existing programs.

3. Develop greater financial self-sufficiency of ACTION funded programs.

4. Develop, test, and promote innovations in voluntarism.

5. Enhance systems for volunteer recruitment, training, and placement.

6. Enhance and enrich the quality of life of ACTION funded volunteers.

I will now summarize the major components of the budget.

Volunteers in Service to America (VISTA)

For VISTA, our request of $31.6 million, an increase of $6.5 million, or 26%, will support a number of provisions contained in the Domestic Volunteer Service Act Amendments of 1989, including:

- 3,000 volunteer service years, an increase of 200 above the anticipated FY 1990 level of 2,800.
- Increases in the subsistence levels for individual volunteers of over 9% above 1990 levels, thereby providing subsistence at 105% of the poverty line for an individual.
- Increases in the stipend for volunteers from $75 to $90 per month.
- Provision of 1.5% of available sums to expand public awareness and recruitment activities.

By supporting 3,000 volunteer service years under the VISTA program, we will increase the size of the regular program by over 15% over a two-year period, FY 1989-91. Further, when combined with the VISTA Literacy Corps, the volunteer service years supported within VISTA will total 3,575 in 1991; this represents an increase of 450, or 14%, above 1990 levels, and 22% above the level achieved in 1989.

In 1991, the average subsistence allowance under the VISTA program will be $566 per month, an increase of $49, or 9.4%, above the level available in 1990. In accordance with the Domestic Volunteer Service Act Amendments of 1989, allowances in 1991 will be adjusted to reflect differences in the cost of living.

The increase in the stipend, from $75 to $90 per month, will increase the amount a volunteer completing an assignment after twelve months of service will receive--from $900 to $1,080.

For public awareness and recruitment activities, we anticipate spending $473,000 in 1991. We have recently established the position of Administrator for Recruitment and Placement within the VISTA Office in order to improve awareness of the program, increase the size and quality of the applicant pool of volunteers, and strengthen the Agency's ability to match the needs of projects with applicants' talents.

In addition, the VISTA budget includes increases of $1.4 million for expenses related to the health contract for volunteers. This represents an increase in the cost per volunteer over two years of 45%, reflecting primarily the escalating costs in the health industry. Further, our budget proposes to expand training by more than $500 thousand to increase primarily the amount of preservice training available to VISTA Volunteers. Additional training is essential if we are to provide projects with Volunteers having up-to-date skills who are capable of providing high quality service.

As in the past, VISTA Volunteers will focus their efforts on the needs of low-income people, including projects designed to address the problems of at-risk youth, illiteracy, unemployment, hunger, substance abuse, and homelessness.

Literacy Corps

We propose to double the amount of funding for the Literacy Corps in 1991 in order to expand greatly the volunteer efforts designed to overcome the problems of illiteracy in this country. With this increase, we will provide greater support for existing Volunteers, including the same increases for subsistence allowances, stipends, training, and public awareness as are requested for other VISTA Volunteers. In addition, we will increase the number of volunteers to approximately 750, for a volunteer service year level of 575, an increase of 250, or 77%, above 1990 levels.

Volunteers under the Literacy Corps program will focus their activities on projects where they serve as mobilizers and catalysts in recruiting and training community volunteers to provide tutoring and other literacy promoting functions. As in the past, Volunteers funded by the regular VISTA appropriation will also participate in literacy projects.

Student Community Service Program

We are proposing $1.8 million, an increase of $872,000 or 65%, for the Student Community Service program. ACTION is committed to tapping volunteer resources found among the Nation's youth, and student community service projects are a proven and effective vehicle for accomplishing this goal. Unlike

any other federally funded program directed at students, the Student Community Service Program supports volunteers who receive no remuneration or tuition assistance and provide assistance only to low income communities.

Under this program small grants are given to colleges, universities, secondary schools, and other non-profit organizations to act as a stimulus in the promotion of student volunteer activities. Students direct their volunteer activities to address the needs of low income individuals in the community in which the institution is located.

Special Volunteer Programs

Our budget includes $2.2 million for the funding of grants to combat substance abuse through volunteer programs.

These grants are awarded to non-profit organizations engaged in addressing the serious problems of illicit drug abuse, primarily in low-income communities, through voluntary efforts. Self-help programs include illicit drug awareness and education activities, as well as efforts to make communities safe through enforcement activities.

ACTION's drug abuse program is an integral part of the Administration's overall effort to curtail substance abuse. In the aggregate across all of our programs, ACTION expects to spend approximately $9.6 million for this activity in FY 1991, an increase of 4% above the estimated amount in FY 1990.

Older American Volunteer Programs

For Older American Volunteer programs, we are requesting $120.5 million, an increase of $2.7 million, or 2.3%, above amounts available in FY 1990.

The major budget increase is to support a stipend increase for low-income volunteers, from $2.20 to $2.35 per hour, in both the Foster Grandparent and Senior Companion programs. This increase was authorized under the Domestic Volunteer Service Act Amendments of 1989; the most recent stipend increase occurred in 1983.

In FY 1991 we are requesting $31.5 million for the Retired Senior Volunteer program (RSVP), $62.1 million for the Foster Grandparent program (FGP), and $26.9 million for the Senior Companion program (SCP). RSVP promotes voluntarism and involves retired Americans in using their skills in projects important to the community. FGP supports low-income volunteers in providing one-to-one assistance to children with special or exceptional needs. SCP provides older low-income persons the opportunity to

provide personal assistance and companionship to older persons with physical, mental, or emotional impairments which put them at risk of institutionalization.

In Fiscal Years 1990 and 1991, under these programs we will implement certain provisions of the Domestic Volunteer Service Act Amendments of 1989, including (1) Carrying out programs of national significance, where at least one-third of the funds appropriated above the level necessary to maintain the number of projects and volunteers funded in the prior year are spent on certain national priorities; (2) Earmarking $250,000 on promotional activities; and (3) Considering the impact of inflation on the needs of projects' administrative costs.

In addition, ACTION will continue to explore partnerships with other agencies and organizations in order to carry out the purposes and intent of the Older American programs. For example, in Fiscal Year 1990 we will enter into an agreement with the Administration on Aging (AoA) to undertake a joint effort in the Senior Companion Program to assist seniors 80 years of age and older. Grants under this effort will require matching funds from private sector sources.

Inspector General

In Fiscal Year 1991, we are funding ACTION's Office of the Inspector General as a separate activity, with the total request being $1.1 million and 13 positions. In the past, the functions of the Inspector General were supported from the other budget activities within ACTION's appropriation. Over the last year, in response to the 1988 Amendments to the Inspector General Act, ACTION has established a statutory Office of the Inspector General and realigned the office to conform to the purposes of the legislation.

Funds will be used in 1991 to carry out a comprehensive audit plan and conduct investigations as required. Audits will focus on Agency operations and the largest grants of the Agency on a multiyear cycle, as well as any particular issues that may arise with respect to smaller grants and contracts. In addition, the Inspector General will automate its operations and fill available positions to handle an anticipated larger workload.

Program Administration

For program administration, we are requesting $29.2 million, an increase of $2.96 million above prior year amounts. The increase reflects a level that is essential to assure sound administration of ACTION's programs, as well as to carry out certain recruitment and public awareness functions contained in

the 1989 Amendments to the Domestic Volunteer Service Act. The majority of the increase will restore the Agency to the full-time equivalent level of 448 positions, a level recognized by Congress in the previous fiscal year as essential for effective and efficient management and administration. Hiring will occur primarily in the regional and state offices to enhance program development, the recruitment of volunteers, and project monitoring. In addition, the request will provide for 13 new positions devoted primarily to VISTA recruitment activities in accordance with the 1989 Amendments to the Domestic Volunteer Service Act. Funds were not provided in Fiscal Year 1990 to support these additional recruitment activities.

The request for Program Administration also provides staff travel funds necessary to carry out VISTA recruitment and training responsibilities, project monitoring trips, and project directors' training conferences. Additional monies are also requested to complete the development and implementation of a modern payroll/personnel system to support VISTA Volunteers.

Mr. Chairman, that summarizes ACTION's budget request for Fiscal Year 1991. I am available to answer any questions that the Committee may have.

ACTION
THE FEDERAL DOMESTIC VOLUNTEER AGENCY
Washington, D.C. 20525
News

FOR IMMEDIATE RELEASE
November 30, 1989

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AC/BQ10/89

JANE A. KENNY ASSUMES LEADERSHIP OF ACTION

-

Jane A. Kenny has begun service as director of ACTION, the federal domestic volunteer agency. She was sworn in at a recent White House Oval Office ceremony attended by President Bush and Mrs. Bush.

As ACTION Director, Kenny oversees the activities of more than 500,000 volunteers who serve through the agency's programs in communities nationwide.

"I am honored to serve a President who believes so deeply in volunteers," says Kenny, "and proud to work with ACTION's staff, projects and volunteers as we help communities build resources for the nineties."

Prior to becoming ACTION Director, Kenny served as deputy director of the agency since November, 1988. ACTION programs include the Foster Grandparent Program, the Retired Senior Volunteer Program (RSVP), Volunteers in Service to America (VISTA) the Student Community Service Program (SCSP) and the Office of Program Demonstration and Development.

-MORE-

Kenny also served as the director of VISTA and SCSP from July, 1986 to February, 1988, where she directed the activities of more than 2,700 VISTA Volunteers who served through community non-profit organizations around the U.S.

Before coming to ACTION, Kenny was director of the Executive Secretariat at the General Services Administration (GSA). Prior to her appointment at GSA, she served for four years in the office of then Vice President George Bush, most recently as special assistant to the Vice President.

Her experience also includes service as staff assistant at the National Association of Schools of Public Affairs and Administration, and as a management analyst in the U.S. Department of Justice in Washington, D.C. Kenny worked as a management analyst for Computer Sciences Corporation from 1977 to 1979.

A graduate of the College of New Rochelle, Kenny earned her MPA in governmental management from American University in Washington, D.C.

-30-

REAUTHORIZATION

Mr. NATCHER. Thank you, Ms. Kenny. If you will, describe for us the significant program changes which were enacted in your reauthorization bill last December, just briefly what are the changes there, Ms. Kenny?

Ms. KENNY. I would say the changes primarily are in the area of the VISTA Program. They include increasing the floor for the volunteer service years in 1991 to 3,000. They include raising the subsistence allowance for VISTA volunteers to an average of 105 percent of the poverty index, as designated by the HHS poverty index for a single individual. They include increasing the stipend payment for a VISTA volunteer from $75 to $90 per month. They also provide for, but do not require, the stipend for Senior Companions and Foster Grandparents be increased from $2.20 to $2.35 per hour in fiscal year 1991.

Mr. NATCHER. How much of your total increase of almost $17,000,000 is for legislatively required increases associated with the reauthorization?

Ms. KENNY. Mr. Chairman, while the increase of $16,800,000 is primarily focusing on the new provisions in the authorizing legislation, it is our estimate that approximately one-third of the increase is what we would refer to as mandated by the legislation, whereas the other two-thirds are strongly encouraged but not mandated.

NATIONAL COMMUNITY SERVICE

Mr. NATCHER. As you know, a national community service bill has passed the Senate and the House is now working on its own bill. How would the programs in these bills duplicate or compete with Action programs?

Ms. KENNY. As you know, Congressman, the House proposal was only recently introduced. I believe it was last Thursday, and we are still reviewing that. I would say, however, though, after meeting with some of our project directors on recent visits to the field that they have expressed a concern to me in a number of areas.

One is that they do feel that, in fact, these proposals would indeed be competing with our programs. To give you an example, I believe in the House proposal there is a provision for a Youth Service Program. In that proposal, there would be a provision for all volunteers in that program to receive not less than a minimum wage. Frankly, the perception of our project directors as well as others is that, in fact, that is an employment program, not a volunteer program. Also, because of the higher stipend payments provided in the national service bill, Action would likely lose a number of its volunteers currently serving in our programs if this bill were enacted as proposed.

Mr. NATCHER. What has been the extent of Action's involvement in the development of this new national community service legislation?

Ms. KENNY. I would say there would be two points I would make in that regard. First, when the initial proposals concerning national service were begun during the last fiscal year, it was agreed to by Congress, the White House, and the Action Agency that all the programs contained within the Domestic Volunteer Service Act

should be treated separately and apart from any discussions and negotiations on national service. This was to ensure the stability of the existing Action programs and allay concerns of primarily low income senior volunteers who might be anxious about whether their programs were being continued or altered.

Second, in keeping with standard practice whenever the Action Agency's programs would be impacted directly by a proposal, we have been asked to comment by both the committees and the Office of Management and Budget. We have done so very willingly.

VISTA RECRUITMENT

Mr. NATCHER. Last year you told the committee that the average age of VISTA volunteers had dropped from 41 to 36 in 1988. Did that trend continue in 1989?

Ms. KENNY. The average agency age in FY 89 is still holding at 36, Congressman.

Mr. NATCHER. Your 1989 report on recruitment of VISTA volunteers indicates that only 30 percent of the recruitment funding was targeted for college campus recruitment. Will that percentage be increased in 1990 and 1991?

Ms. KENNY. I am very pleased to advise you, Congressman, that 75 percent of the funds provided for recruitment in 1990 will be directly related to recent college graduates. We have just awarded a contract in the amount of $123,000 that will focus on the recruitment of recent college graduates.

Mr. NATCHER. Have college applications for VISTA increased in 1989 and 1990 as a result of the enhanced recruitment efforts?

Ms. KENNY. With regard to the number of specific applications, I do not have data on that, but I can tell you there has been a significant increase in the number of actual placements, and for that we are very pleased. From the base line that we started with, on October 1989 until December 31, 1989, we had a 42 percent increase in placements of recent college graduates.

Mr. NATCHER. When will the VISTA marketing plan to attract recent college graduates be completed, and how much will it cost?

Ms. KENNY. The contract is for $123,000. We expect to have the survey, which is the first phase of the plan completed in late August, and we hope to have the marketing plan ready in October. Hopefully, it will be acted on concurrently with the decision concerning our funding level for fiscal year 1991.

Mr. NATCHER. Your request for VISTA recruitment funding is tripling your 1990 funding level, as you know, as required by law. Will you be waiting for the results from the marketing plan before spending any of these funds?

Ms. KENNY. That, I think, would be somewhat contingent, Congressman, on when we get the final decision from Congress on our 1991 budget. If we are operating on a continuing resolution, we would operate under one set of circumstances. If Congress has acted on our appropriation before we begin the fiscal year we would probably operate on a different set of circumstances. I can say, however, that the marketing plan will be a major component in our activities for 1991.

We feel it is an excellent way for the agency to seek outside professional assistance to lay a solid foundation to determine what is the most cost-effective way to solicit and encourage college students throughout the country to serve as VISTA Volunteers.

Mr. NATCHER. In an insert in last year's hearing record, you told us that the Peace Corps 1990 funding request for recruitment was $1,863 per volunteer, whereas VISTA was requesting $62 per volunteer.

Why was there such a large difference in these requests?

Ms. KENNY. Congressman, I don't think I can respond to that other than to say I hope the gap will be reduced. I think the committees that handle the Peace Corps appropriations would really be the ones that could provide that information. I don't have it. I honestly don't know. I think it is very difficult for us, frankly, to be expected to compete on the same college campuses that the Peace Corps is, given that inequity. But I also should say that our budget request for 1990 is a significant increase over prior levels.

Mr. NATCHER. How many requests for VISTA volunteers did you receive in 1989, which you were not able to fill due to limited volunteer allocations?

Ms. KENNY. Congressman, prior to the reauthorization of the Domestic Volunteer Service Act in 1989, the specific number of applications in relation to placements were not collected for the VISTA program. That has changed effective October 1 of this fiscal year, and we will be able to provide you that data at a later date.

VISTA TRAINING

Mr. NATCHER. You have requested a 66 percent increase in funding for VISTA training. What are some of the deficiencies in the current training program, which would be addressed by this funding?

Ms. KENNY. Congressman, one of the primary purposes for our request for such a significant increase is that we feel the issues VISTA Volunteers now address are very serious indeed. In fact in some cases they involve life threatening situations, such as VISTA Volunteers serving in inner-city housing authorities where they are dealing with at-risk youth to keep them away from crack.

We have many VISTA volunteers working on literacy projects where they are assigned to recruit illiterate adults for tutoring. In situations such as this, it is critical that our VISTA Volunteers receive appropriate training sensitize them to the needs of the low income population they serve.

Right now our budget level provides the equivalent of two full days of pre-service orientation before the volunteers go to their assignments. If there is to be a proper orientation for them that clearly defines what their roles are as VISTA Volunteers in relation to the Action Agency, to the sponsor they serve, and to the community in which they are located, it is critical that a larger number of them be brought together for training and that the length of the training be increased so that they can be exposed to more concentrated training in areas such as literacy, drug prevention and homelessness.

Mr. NATCHER. Mr. Conte, I yield to you.

VISTA IN MASSACHUSETTS

Mr. CONTE. Ms. Kenny, I want to welcome you before this subcommittee. You have been here before, but this is your first time as director.

Ms. KENNY. That's correct.

Mr. CONTE. I am pleased that Constance Burns, a long time resident of Massachusetts, has joined your staff. I am told that she did a great job in the Brockton Coalition for the Homeless and will be sorely missed there. I guess their loss is Action's gain. Speaking of Massachusetts reminds me of VISTA volunteer, Paul Lasch, who is from my hometown of Pittsfield. Paul works at the Berkshire Training Employment Program in Pittsfield. Last year we amended the law to allow volunteers like Paul to serve beyond a five-year limit, and I have been told that Paul is the first VISTA volunteer in the country to be granted a sixth year of service.

How well is that provision working out?

Ms. KENNY. It is working very well, Congressman. Thank you.

Mr. CONTE. We have a problem in New England where several Action state offices have frozen the placement of new VISTA Volunteers, thus keeping some local sponsors from filling their approved VISTA positions.

At the same time, the reenrollment request of some current VISTA volunteers are being denied by state offices. Do we need more service years to meet our current needs?

Ms. KENNY. I do not believe so, Congressman. The overall national increase of 190 VISTA volunteer service years from fiscal year 1989 to 1990 is, in my belief, appropriate. The situation you refer to in New England is a temporary one and should be alleviated next fiscal year if our budget is approved as submitted and the region adheres more closely to the congressional directive that there be even placement of volunteers throughout the fiscal year.

Given the fiscal year 1990 VISTA budget, New England could only be given extra volunteer service years if they were taken away from other regions where, unfortunately, the percentage of low income individuals compared to the national poverty figures is much greater than in New England. In my view this would be contrary to the intent of Congress.

Mr. CONTE. In Massachusetts there are requests for 30 VISTA volunteers that cannot be filled, even though they have willing volunteers in hand. All because the program has reached its allotment of service years.

It sounds like we are losing a lot of good people who want to volunteer. If a recent Massachusetts college graduate wants to volunteer and is told no slot is available, what happens to that person?

Ms. KENNY. A recent college graduate would be treated the same as any other potential applicant in that as vacancies become available, they are given full consideration in terms of meeting the needs of the sponsoring organization.

I think it is appropriate to note that a widening gap between supply and demand, is expected to be a direct consequence of our heightened recruitment activities.

It is our hope, frankly, that we will have considerably more applications than we have vacancies because that will enable us to be

selective. We want absolutely the best qualified applicants to serve as VISTA Volunteers.

VISTA VOLUNTEER TRANSFERS

Mr. CONTE. What is Action doing to transfer potential VISTA volunteers from one region and state where there are surpluses of volunteers to places where there are shortages of volunteers?

Ms. KENNY. Our first preference, Congressman, is that VISTA resources be allocated regionally in accordance with the Regional percentage of the low income population as it relates to the national poverty statistics.

Similarly the Action field staff is also allocated according to those statistics in order to enable the agency to develop the number of projects necessary to meet these goals.

In the circumstances where a region is not able to meet its goal, as a last resort we do redistribute those resources. Unfortunately, that was the case in New England in fiscal years 1988 and 1989, but given the circumstances this year we do not think that is going to be the situation in 1990.

Mr. CONTE. Some states have a surplus of regular VISTA volunteers yet they are finding it difficult to reach their targets for the VISTA Literacy Corps Supplemental. It seems like the problem could be easily corrected by switching the surplus volunteers in one program to other programs.

What are you doing to solve that problem?

Ms. KENNY. We have been well aware of that problem over the last couple of years, and that was one of the factors, frankly, why the agency had previously requested that all literacy activities within the VISTA program be treated within one authorization and one appropriation.

However, it was ultimately decided by Congress that we would, in fact, continue parellel literacy inititives under two separate authorizations and two separate appropriations. Also, it was reiterated that we were to supplement rather than supplant volunteers in these two activities. Lastly we were requested to conduct a separate evaluation of the Literacy Corps funded under Section 109.

As a result, we do have a limited amount of flexibility in this area. To the degree that we have it, we use it. However, it is clearly the intent of Congress that these two entities be tracked separately.

VISTA SERVICE YEAR FLOOR

Mr. CONTE. Mr. Bartlett, the Ranking Member of the Select Education Subcommittee, the subcommittee that authorizes the VISTA Program, has written to me expressing his concern about the service year floor. He is concerned that if there isn't enough money for the service year floor, you will have to take funds from part B and C of Title I to meet authorized service year floor level.

Have you seen Mr. Bartlett's letter?

Ms. KENNY. Yes, I have, Congressman.

Mr. CONTE. Please give us your position on whether the section should be waived as Congressman Bartlett recommends.

Ms. KENNY. I would make two points with regard to that, Congressman. The first is that in our 1991 budget submission, as proposed, there are adequate funds to fully cover the activities for part A, B, and C, so this should not be a concern if the Congress appropriates the level we have requested.

If, however, it is the Congress' disposition that they can not approve the level we requested for VISTA in order to make that floor, then I would agree that some legislative remedy is necessary. The reason I say that is, I do not think it is good government policy to create a situation which mandates we close down existing projects prematurely in order to expand other activities in other programs. That is the position we would be put in if such a situation were resolved as stated in Congressman Bartlett's letter.

Mr. CONTE. Would you come back to me later on and let me know where we stand on that?

Ms. KENNY. Yes, I can.

PROGRAM ADMINISTRATION

Mr. CONTE. For fiscal year 1991 you are seeking a $2,960,000 increase for program administration plus $1,100,000 for the Inspector General, which was previously included in the administrative costs during the previous year. That is a $4,000,000 increase for comparable activities. Why do you need such a large increase?

Ms. KENNY. A significant portion of the request for the increase, Congressman, is due to provisions in the reauthorization of the Domestic Volunteer Service Act. In particular, we have been requested to establish, nine VISTA recruiter positions in the field. That, combined with other provisions that are in the authorization, are the primary factors for that increase.

Mr. CONTE. In the reauthorization, the agency also was charged with establishing a method for setting subsistence allowances. What method has been established?

Ms. KENNY. Congressman, we did submit an interim report to our authorizing committees. I will be happy to provide you a copy. Due to the fact that the fiscal year 1990 agency appropriation was acted on before the authorization, unfortunately we were not able to act on this part of the reauthorization this fiscal year. We are confident that we can do it in fiscal year 1991.

STUDENT COMMUNITY SERVICE PROGRAM

Mr. CONTE. For the record, you are seeking to double the budget for the Student Community Service Program, so you can fund both new and existing grants for student volunteers and low income communities.

How much of this increase will go to into grants? Put that in for the record.

[The information follows:]

STUDENT COMMUNITY SERVICE GRANTS

The entire increase of $872,000 will be used for new grants under the Student Community Service Program.

Mr. CONTE. Senate Report 101-127 provides for the Student Community Service Program to be phased out. If that is the case, why

are you requesting money for new grants when the report specifies a new series of grants will not be made?

Ms. KENNY. Congressman, we very much hope that the Congress will reconsider its position of last year. The authorization provides for the continuance of the program. I just returned from a visit to a regional conference that Action is holding in Boston and one of the presenters was a student from Boston University. Boston University is the recipient of one of our Student Community Service grants and is one of the models, frankly, that we use for replication throughout the country. I would encourage you, as well as Congressman Natcher, who also has a Student Community Service project in his congressional district, to look into the merits of those programs as you deliberate on this issue. It is, we feel, very, very meritorious.

Mr. CONTE. All right, we will do that. For the record please provide a list of all the Student Community Service programs that you are currently funding.

[The information follows:]

STUDENT COMMUNITY SERVICE PROJECTS

Action's "Learning to Care" publication, which provides a National Directory of Student Community Service Programs, was provided to the Committee under separate cover. The size of the publication prevents its reproduction in the record

Mr. CONTE. Senate Report 101-127 provided for the phase out of the Student Community Service Program. How much of a void will be created by the elimination of that program?

Ms. KENNY. We feel there will be a significant absence in the Action Agency because that is our only youth-oriented program and as the Federal Domestic Volunteer Agency, we feel that this segment of the population is the one we should be going after most conscientiously because of the long-range implications of the benefits.

PROJECT CONTINUATION

Mr. CONTE. The agency has traditionally not funded programs for longer than three years. When the act was reauthorized, a requirement was included saying the duration of a project cannot be the sole reason for denying funding to a project.

What criteria are you now using to determine whether to continue funding a project?

Ms. KENNY. The duration of a project has never been the sole criteria for denying funding of VISTA projects. Each project is reviewed on a case-by-case basis, looking at the goals that were established by the project, what efforts have been made to achieve those goals, and what circumstances contributed to either the success or the failure of the project. Also, consideration is given to what efforts have been made by the project to become self-sufficient? As required, all potential sponsors, as well as current sponsors, have been advised of the provisions in the authorization.

Mr. CONTE. Thank you, Mr. Chairman.

VISTA LITERACY CORPS

Mr. NATCHER. Ms. Kenny, you are proposing, as you know, to almost double the number of VISTA Literacy Corps volunteers in 1991. How will these additional volunteers be distributed?

Ms. KENNY. They will be distributed as are the current volunteers; namely, in accordance with the region's percentage of national low income population. With regard to the Literacy Corps, we also factor in the region's percentage of the national illiterate population.

AIDS PROJECTS

Mr. NATCHER. How many volunteers do you have that are working with the AIDS epidemic?

Ms. KENNY. I will have to provide that for the record, Congressman. As you know, we have VISTA volunteers assigned specifically to AIDS projects. In addition, it should also be noted that we have VISTA Volunteers assigned to drug prevention and homeless projects where they work with AIDS victims, but because of privacy they are not identified as such.

[The information follows:]

VISTA VOLUNTEERS ASSIGNED TO AIDS PROJECTS

There are 11 VISTA Volunteers assigned specifically to AIDS projects.

STUDENT COMMUNITY SERVICE

Mr. NATCHER. How is your Student Community Service Program different from the Student Community Service Program funded in the Department of Education?

Ms. KENNY. There are a number of significant differences, Congressman. First of all, the FIPSE program is primarily focusing on academic institutions and is limited to college students.

Our Student Community Service Program is not limited to academic institutions. It deals with nonprofit organizations, community action agencies, Big Brother, Big Sister groups, et cetera, as well as academic institutions.

It also focuses on a broader scope of youth. It deals with high school and vocational youth as well as college and university students. Another difference is that our program provides no economic—no stipend or economic benefit, whereas FIPSE does. FIPSE is directly linked to tuitions and student loans. Additionally our program specifically requires that the students work to the benefit of the low income community. FIPSE has no requirement that their activities be limited to the benefit of the poor.

Mr. NATCHER. What evidence is there that a demand exists for an additional 79 new Student Community Service grants?

Ms. KENNY. I would say the demand is evident by the success of the projects that we have so far and also by the growing consciousness within the nation of the importance of people being involved in community service. As an illustration of that, this year with the President's Volunteer Action Awards, which will be awarded during National Volunteer Week, the number of applicants is double any other prior year's submission.

There is a much higher consciousness within the country for active involvement by our youth in community service, and we feel that this is an excellent and a very simple means by which to provide them with the necessary funds to do it.

ACTION DRUG ALLIANCE

Mr. NATCHER. How will the $991,000 increase for the Action Drug Alliance be used, Ms. Kenny?

Ms. KENNY. Are you referring to fiscal year 1990 or fiscal year 1991?

Mr. NATCHER. 1991.

Ms. KENNY. In 1991, a number of options are available to us, Congressman. We have seen a number of success stories in the area of mentoring projects among youth. We also focus a considerable amount of attention and resources at neighborhood coalitions because we feel that has shown excellent results.

We also focus on intergenerational activities for at-risk youth because, given our expertise in our older American programs, we think they are excellent resources for success. Those would be the three main areas I would envision for 1991.

OLDER AMERICAN VOLUNTEER PROGRAM

Mr. NATCHER. For the second year in a row you have not requested funds to initiate new Older American Volunteer program grants. Is there a need for additional grants?

Ms. KENNY. At this point I do not believe so, Congressman. The reason I state that is based on our analysis of the new grants that were issued in the older American Volunteer Programs within the last two fiscal years. Our records now indicate that after 15 months of service nearly 65 percent of those new projects are still not up to their full volunteer funding level. We believe it is appropriate in fiscal year 1991 to give them the chance to stabilize and to get up to their full level of service.

NATIONAL SIGNIFICANCE GRANTS

Mr. NATCHER. How much funding will be available in 1990 for National Significance grants in the Older American Program, and tell us, how will these funds be used?

Ms. KENNY. In keeping with the reauthorization, Congressman, no less than one-third of the new money provided in fiscal year 1990 in the older American Programs will be for National Significance activities. Also in keeping with the reauthorization, once the agency issues its guidance, it will be up to the Project's discretion as to which of the National Significance Programs specified in the reauthorization they wish to apply for and compete for funding.

Mr. NATCHER. Is additional funding requested in 1991 for the National Significance grants?

Ms. KENNY. Funding is requested to continue the ongoing activities that are cited in 1990.

OAVP COLA'S

Mr. NATCHER. How much will be provided in 1990 and 1991 for cost of living adjustments for Older American Volunteer grantees?

Ms. KENNY. In 1990, some of the new money that has been provided by Congress will be used for administrative costs. At this point it is too early to say how much. We also anticipate in 1991 that some of our unexpended balances will be used for that purpose.

OAVP RECRUITMENT

Mr. NATCHER. How much is included in your 1991 request for recruitment of volunteers in the Older American Volunteer Programs, and how will these funds be used?

Ms. KENNY. In keeping with the reauthorization, Congressman, we have provided an estimated $250,000 for public awareness and recruitment within the Older American Volunteer Programs. Although the specifics of that segment of the budget have not been worked out at this point and will be contingent upon the final funding level, I would envision that probably one of the initiatives would focus on the RSVP program, because in the cycle of activities we have been conducting, the Senior Companion Program received a significant amount of funding last year. This year the Foster Grandparent Program will be receiving a significant amount of funding because of its 25th anniversary. In that regard, Congressman, I would like to take this opportunity to thank you for making the visit you did to the Foster Grandparent Project in your district. It was very well-received by our volunteers, and they appreciate the recognition you gave them.

Mr. NATCHER. And I really enjoyed it.

Ms. KENNY. Thank you.

FOSTER GRANDPARENT PROGRAM

Mr. NATCHER. What activities are you planning for the 25th anniversary of the Foster Grandparent Program, and how much is budgeted for these expenses in 1991?

Ms. KENNY. Our Foster Grandparent activities, in honor of the anniversary, are now being finalized. We anticipate that the theme, a new pin to be distributed to all volunteers and the work for a new brochure, will be finalized within the next week to ten days.

As far as a specific line item for anniversary activities, it is my understanding, that we are not allowed to have separate line items for specific anniversary activities in keeping with our authorization. However, all the initiatives that specifically address the recognition or recruitment of volunteers will complement the anniversary activities that have been scheduled by projects.

TRANSFER TO HHS

Mr. NATCHER. How much money, Ms. Kenny, did you transfer to the Administration on Aging in 1990 and how are these funds being used?

Ms. KENNY. We have not transferred the funds yet, but we have made a commitment to transfer approximately $1,300,000, which will be used in a joint initiative with the Administration on Aging. They are committing approximately $800,000. Collectively, the funds will be used to expand Senior Companion projects to increase

the number of volunteers who work with clients who are 80 years and older who are home-bound.

CHALLENGE GRANTS

Mr. NATCHER. What has been the success rate of challenge grant projects continuing with local funding when the grants expire?

Ms. KENNY. Congressman, I would say the success rate varies depending on when the grant was issued and the conditions under which it was issued. I can provide more specifics for the record, but they do vary. There is not a pattern depending on the type of grant that was issued and when.

Mr. NATCHER. Will you be funding challenge grants in 1990 and 1991?

Ms. KENNY. The options for the use of unexpended balances are now being developed within the agency. I would anticipate that would be one option that would be proposed to management, but I do not know at this point whether or not that would be an option that would be exercised.

STIPEND INCREASES

Mr. NATCHER. How much would be required in 1991 to fund the stipend increase for non-Action funded volunteers in the Foster Grandparent and Senior Companion Program?

Ms. KENNY. It is our estimate that it would cost $705,000. These funds are not included in our 1991 budget.

INSPECTOR GENERAL

Mr. NATCHER. Your request includes 13 FTE's and $1,100,000 to establish an independent office of the Inspector General. What are the 1990 staffing and funding resources allocated to this activity?

Ms. KENNY. We are currently at 11 FTE's, and, if you will wait a minute, our controller can tell you our funding level. Our current funding level for the Inspector General's Office is $902,000.

Mr. NATCHER. Mr. Conte, I yield to you.

VISTA

Mr. CONTE. What have you done to ensure that all Action offices and the current VISTA projects are aware of the changes in the new criteria you will use to make decisions regarding continuation of funding?

Ms. KENNY. An addendum has been included in all our project applications being distributed to both current and potential applicants. In addition, the language in the reauthorization was included in revised VISTA guidelines published in the March 13, 1990 issue of the Federal Register. That publication has been distributed to all appropriate Action staff.

Mr. CONTE. There is a new requirement that at least 20 percent of VISTA volunteers be between the ages of 18 and 27. What percentages of VISTA volunteers are between the ages of 18 and 27?

Ms. KENNY. As of the end of last fiscal year, it was 20.0, so we are on target.

Mr. CONTE. In February you complied with a provision of Public Law 101-204 requiring a recruitment report on Action's recruitment and public awareness activities for the fiscal year 1989.

While the report covered the recruitment activities, it didn't contain any information on how effective your recruitment strategy has been. Please tell us how effective you have been.

Ms. KENNY. Congressman, I can comment on the improvement that we have achieved, and there have been significant improvements in that we have—the number of recent college graduates has increased over a 15-month period by as much as 42 percent.

What I cannot tell you in relation to fiscal year 1989 is which activities were responsible for that increase. That is one of the main reasons why we have a contractor developing a marketing plan because it includes, among other things, a benchmark study that will tell us what is most cost-effective and what is, in fact, bringing results.

Mr. CONTE. The spending pattern in the fiscal year 1989 recruitment report seemed to indicate that not much emphasis was placed on recruiting college graduates. Was that actually the case?

Ms. KENNY. I don't believe so.

We spent 30 percent of our recruitment activity funds in the VISTA budget in 1989 on recent college graduates, and as I noted earlier in my response to Congressman Natcher, this year we will be spending 75 percent of our funds toward that.

Mr. CONTE. You are requesting $474,000 for recruitment and public awareness activities for the regular VISTA program in fiscal year 1991, the 1,000 for the VISTA Literacy Corps. What is your plan for spending that money?

Ms. KENNY. It should be noted, Congressman, that that request is to comply with the language in the reauthorization. It mandates that we have 1.5 percent of our VISTA Program funds allocated for that purpose.

As far as our plans for use of that, that will be developed in conjunction with the marketing plan that is now under way, but I anticipate that some of the activities that will be included in that plan would include such things as PSA's, direct mail, and ads in campus newspapers.

I would like to make one note in regard to this, however. When setting aside VISTA program money for college recruitment, it also necessitates setting aside program administration funds for the Action staff to implement the marketing plan.

If we significantly increase the number of brochures and posters that we send to college campuses, but we don't have enough travel money to send somebody to a Mt. Holyoke campus to speak at a career development day, then it defeats the purpose.

That is why, in fact, the Peace Corps is going to be ahead of VISTA in terms of who we can recruit the most recent college graduates. We right now have very few opportunities to have our Action staff, who include a number of former VISTA Volunteers themselves, go out and market the plan themselves. There is nothing better than somebody who has personally served as a VISTA Volunteer and is committed to the program to go out and tell them what it really means to be a VISTA Volunteer. Unfortunately right now we can't do that because we couldn't have enough pro-

gram administration money. So if you give us a half million dollars in the VISTA budget, but you don't give us enough money to go out and carry out those activities, then we are defeating the purpose of what was intended by Congress.

Mr. CONTE. The agency is in the process of contracting to help improve recruitment of recent college graduates for VISTA. What will be the scope of the work of the contract?

Ms. KENNY. The contract involves three phases. The first phase is to do a survey of recent college graduates. No, I am sorry, that is incorrect. It will do a survey of the college community. It will include current juniors and seniors on campuses. It will also survey VISTA Volunteers who are recent college graduates and now serving. It will also include VISTA Volunteers who graduated from college within the last five years and served in the last two years.

They will survey those individuals to find out what it is that appeals to them about community service, what it is about the VISTA program that appeals to them, and what it is they feel would be helpful in our marketing of the VISTA program to the college community.

Based on the results of that survey, the second phase of the contract is to develop a marketing plan. That marketing plan will include a variety of options that will be available to the Action agency. Action will ultimately make the final decision concerning the marketing plan in conjunction with the ongoing discussions about the appropriation level for fiscal year 1991.

The third phase of the contract will be to conduct a benchmark study of the marketing plan so that we know, in fact, what is working and what is not working, and we can make necessary adjustments. For example, if we decide that the marketing plan is to include a direct mailing to all college seniors, we will set aside a certain amount of money for that effort. Subsequently, the benchmark study indicates that the results of that effort are very insignificant. We will be in a position to cancel that activity and shift the money over into PSA's or into other activities that are proving to be more beneficial.

The ability to make adjustments in the plan is a definite benefit of this new initiative.

Mr. CONTE. For the record, when the Domestic Volunteer Service Act was reauthorized, the VISTA program was required to designate one person in each region as the administrator of recruitment and placement, to create a placement office at the agency headquarters in Washington, DC.

How many persons have been designated and what is the status of the placement office?

[The information follows:]

VISTA RECRUITMENT AND PLACEMENT

As part of VISTA recruitment efforts, we have taken the following steps:

1. Established an Office of Recruitment and Placement within VISTA at the headquarters level.

2. Selected 9 persons to assume the functions of Regional Recuriting Representatives. Fifty percent of these persons' time will be devoted to VISTA recuritment activities.

3. Awarded a grant to the Campus Outreach Opportunity League (COOL) to develop and implement recruitment training. A workshop will be presented at nine

Action/VISTA regional training conferences for VISTA project supervisors. COOL will also conduct a workshop for Action staff on how to provide recruitment assistance to sponsors. The COOL workshops will be geared to the particular college recruitment circumstances in each region.

4. Awarded a contract that will result in the design and implementation of a comprehensive recruitment and marketing effort. It will involve surveying current VISTA Volunteers, as well as current college students, to determine what type of recuriting effort might be most successful. Subsequently, a marketing plan will be developed and monitored for its effectiveness.

5. Began the process of creating an information system to match applicants and project needs.

STIPEND INCREASES

Mr. CONTE. In response to stipend increases authorized last year, you are requesting an increase of $2,500,000 for the Foster Grandparent Program, $233,000 for the Senior Companion Program. Will these increases provide for the stipend increase for research in both those programs? Yes or no.

Ms. KENNY. Our budget level will provide it due to unexpended balances that we will have, yes.

Mr. CONTE. Is your budget increase simply a result of the stipend change or are you anticipating an increase in the number of paid volunteers in those two programs?

Ms. KENNY. The stipend increase.

OAVP COLA'S

Mr. CONTE. Last year amendments to the law required the director to consider the impact for inflation on the administrative costs of the Older American Volunteer Program, and then adjust the project budget accordingly. How has inflation and its impact on OAVP projects been factored into the budget that we are discussing?

Ms. KENNY. There are provisions both in 1990 and 1991 to address the inflation factor that you addressed.

I might add that the stipend increase is also a way of addressing the inflation factor for low income volunteers who have not had an increase since 1983.

OAVP DRUG ABUSE PREVENTION

Mr. CONTE. In recent years the RSVP and the FGP Programs have been involved in the war against drugs. How many of your projects involving older Americans address the problem of drug abuse? How effective have the projects been?

Ms. KENNY. Congressman, the statistics we have on that are not as good as I think they should be, and it is a priority of ours to improve them. In the Foster Grandparent Program approximately 2 percent of our volunteers are involved in drug abuse prevention, in the Senior Companion Program 2 percent, in the Retired Senior Volunteer Program, 1.2 percent.

We are currently conducting an RSVP evaluation which will focus on drug prevention activities. There is one major aspect of these activities we feel will be especially relevant to the older Americans, namely the misuse of prescription drugs by seniors. We feel that is a serious concern of seniors and by providing proper technical assistance and guidance, Action can increase significantly

the number of RSVP volunteers who are involved in helping alleviate that concern among seniors.

CONTRIBUTIONS TO OAVP

Mr. CONTE. Over the years state and local governments as well as the private sector have contributed money to the OAVP Programs. What can you tell us about contributions by the public and private sectors to support volunteerism? You can put that for the record.

[The information follows:]

CONTRIBUTION BY THE PUBLIC AND PRIVATE SECTORS TO SUPPORT VOLUNTEERISM

ACTION's mission is to stimulate voluntary citizen participation through coordination of its efforts with public and private sector organizations and other governmental agencies. Two recent examples of contributions by the public and private sectors to support volunteerism are described below:

ADMINISTRATION ON AGING (AOA)

This year ACTION and AoA have agreed to jointly support a three-year program to demonstrate innovative approaches aimed at seeking private sector support which will increase measurably the use of Senior Companions in providing in-home services to the homebound elderly. AoA is contributing $795,000 towards this effort.

AMERICAN FOUNDATION FOR THE BLIND (AFB)

In FY 1989, ACTION entered into a partnership grant agreement with the American Foundation for the Blind. The purpose of this initiative is to enable blind and visually impaired older people to serve as Senior Companion Volunteers in order to assist other visually impaired clients.

AFB will assist community agencies with the recruiting and training of volunteers. AFB is also contributing a non-Federal match of 12% toward the cost of this demonstration effort.

Mr. CONTE. For the record, please provide a detailed summary of the non-Federal contributions to the OAVP projects for each of the past two fiscal years.

[The information follows:]

Summary of OAVP Public and Private Sector Contributions

This information is by calender year, not fiscal year. The contributions are as follows:

Foster Grandparent Program

	1987	1988
State	$12,920,000	$13,466,000
City/County	3,417,000	3,337,000
Private	6,698,000	7,258,000
Total	$23,035,000	$24,061,000

Retired Senior Volunteer Program

	1987	1988
State	$5,106,000	$4,993,000
City/County	9,601,000	10,774,000
Private	12,405,000	13,389,000
Total	$27,112,000	$29,156,000

Senior Companion Program

	1987	1988
State	$6,628,000	$7,007,000
City/County	1,757,000	2,321,000
Private	2,299,000	3,895,000
Total	$10,684,000	$13,223,000

Note: Data on 1989 is not yet available.

VISTA LITERACY CORPS

Mr. CONTE. For fiscal year 1990 you are requesting a $3 million increase for the Literacy Corps, nearly doubling your current funding level. Last year you requested no money for that program. What is going on here? How do you plan to use those resources?

Ms. KENNY. We would use those resources to expand our existing activities within the Literacy Corps. This is in keeping with the President's initiatives in the literacy area, which, as you know, include, among other things, a 25 percent increase for adult education programs funded by the Department of Education. The money would also be used essentially to increase the number of volunteer service years from 325 to 575.

Mr. CONTE. Okay. The budget justification indicates for fiscal year 1990 you have lowered the service years for the Literacy Corps from 335 to 325 and that you plan to use the savings to pay for the evaluation of the VISTA Literacy Corps as required under the Domestic Volunteer Service Act Amendments of 1989.

What is the status of that evaluation?

Ms. KENNY. The contract for that evaluation should be issued shortly. We expect that it will cost approximately $180,000, and it will——

Mr. CONTE. Completed when?

Ms. KENNY. It will be completed by February of 1991.

Mr. CONTE. Did you consider requesting a supplemental appropriation to cover the shortfall instead of reducing service years?

Ms. KENNY. Requesting a supplemental did not appear to be a viable option because by the time we would have gotten a decision on the supplemental we wouldn't have been able to meet the stipulation in the authorization saying that the evaluation was to be conducted in fiscal year 1990. Even now we won't be able to complete it until February, 1991, as a result of the Continuing Resolution.

Mr. CONTE. How does the VISTA Literacy Corps fit into President Bush's overall initiative on literacy?

Ms. KENNY. It is, we believe, a critical element to it, and we are very pleased to be a part of it.

SEQUESTRATION

Mr. CONTE. Very good. For the record, please tell us what impact sequestration has had on Action, and its efforts to stimulate and coordinate volunteerism.

[The information follows:]

IMPACT OF SEQUESTRATION UPON ACTION

The total amount sequestered was $2,477,000, or 1.4% of available monies. This percentage reduction was applied equally against all activities within ACTION's appropriation.

For VISTA, ACTION met the required reduction by coverting the health contract for Volunteers from a calendar year to a fiscal year basis, thereby enabling the Agency to meet the service year floor for the program, as well as other legislated requirements. This change in the health contract was a one-time activity, which cannot be duplicated in subsequent years. ACTION anticipates meeting all objectives for the VISTA program in Fiscal Year 1990.

ACTION accomplished the reduction mandated for the Literacy Corps by reducing the number of volunteer service years by 10, from 335 to 325. The reduced amounts

provided under the sequester level did not permit both the funding of 335 volunteer service years and the evaluation of the program contained in the 1989 Amendments to the Domestic Volunteer Services Act.

In Fiscal Year 1990, ACTION's Older American Volunteer Programs, even under the reduced amounts mandated by the sequester, will have $2.9 million above the amounts available in Fiscal Year 1989. These new monies will be distributed primarily for programs of national significance and administrative costs, in accordance with the Domestic Volunteer Service Act Amendments of 1989. The effect of the sequester was to reduce the amounts of new monies available for these efforts.

For program administration, the funding cuts resulting from the sequester has reduced staffing within the Agency by approximately nine full-time equivalent positions.

Mr. CONTE. Thank you, Mr. Chairman.

DRUG ABUSE PREVENTION DEMONSTRATIONS

Mr. STOKES [presiding]. Ms. Kenny, your justification tells us that in 1989 you established drug free neighborhood demonstration projects in nine major cities.

Can you tell us something about those projects and where they are located?

Ms. KENNY. Sir, I will be happy to provide for the record the nine locations. I just came back from a trip to Boston, and Boston is one of them. Also I know Oakland, California, has one. They are located in metropolitan areas throughout the country. They have selected the project directors in each of the locations, and they are now in the process of developing the training and the recruitment activities for them.

[The information follows:]

DRUG FREE NEIGHBORHOOD DEMONSTRATION PROJECTS

The overall goal of the national demonstration program is to identify, plan, and implement strategies aimed at making at least two "high risk" neighborhoods in nine project site cities "drug free." Recommended drug-free zone strategies to be locally implemented include public awareness, zero tolerance, neighborhood watch, victim emphasis and community coalition building.

Cities targeted are Boston, MA; Brooklyn, NY; Cincinnati, OH; Mobile, AL; Minneapolis, MN; Dallas/Fort Worth, TX; Denver, CO; Oakland, CA; and Seattle, WA.

Each of the nine VOA affiliates in these cities have received, through sub-grant agreements, approximately $90,000 in Federal funds to plan and implement 20-month, local illicit drug use prevention projects utilizing an average of 150 non-stipended volunteers. Local non-federal resources will average approximately $22,000 per site.

Local project planning and implementation is being coordinated with and drawing upon the expertise of existing neighborhood groups, illicit drug use prevention task forces and projects and relevant public and private organizations and agencies.

ACTION is providing these local projects with on-site technical assistance in the areas of community and neighborhood networking, coalition building, volunteer recruitment and management.

ACTION this fiscal year has contracted for an independent two-year process and impact evaluation of this initiative.

Mr. STOKES. What do you anticipate they are going to be doing through those programs?

Ms. KENNY. I believe the major emphasis will be on neighborhood coalition building to stress positive alternatives and drug prevention activities. In particular at-risk youth will be involved in intergenerational activities and coordinated drug prevention and education activities.

Mr. STOKES. Can you tell us how your agency is attempting to deal with the crisis created by crack cocaine babies? Do any of your programs provide volunteers to assist these babies?

Ms. KENNY. Yes, they do, Congressman. In fact, I am pleased to note that Secretary Sullivan recently recognized two of our Foster Grandparent volunteers in New York City because of their nationally recognized activities at one of our sites.

It is something that we are very concerned about, and we are pleased that we are making a difference in that area. The Foster Grandparents make a unique contribution. That belief has been reinforced during site visits I have made to pediatric wards where the doctors and nurses have reiterated to me how important it is for the Foster Grandparents to serve in that capacity.

PROGRAM ADMINISTRATION

Mr. STOKES. Ms. Kenny, tell us how you justify an 11 percent increase in program administration when you have not increased the number of grants under the Older American Volunteer Programs, and the regular VISTA program would be given only a modest increase.

Ms. KENNY. The overall budget increase within the Action appropriations is 9.5 percent. That is a significant increase for any agency. As far as the specific increase within our appropriation for program administration, I think it should be pointed out that a significant portion of that is to carry out the intent of Congress with regard to the mandated establishment of nine regional positions for VISTA recruitment.

We have, in fact, designated that there should really have been 13 positions, nine in the field, but also some in headquarters as well.

Mr. STOKES. Can you review for us the staffing reductions over the past couple of years and tell us how the 1991 increase will be allocated?

Ms. KENNY. Since October of 1987, our total staffing has declined from 470 full-time permanent staff to 425. It should be noted in that context, however, in keeping with the intent of Congress, the highest priority was given to filling vacancies in the field. During the period from October of 1987 to March, 1990, the regional and State staffs have increased from 247 to 255, whereas the headquarters staff has declined from 223 to 170, a decrease of 24 percent.

Mr. STOKES. Can you tell us how the increase will be used in 1991? 1991?

Ms. KENNY. As I indicated, at least 13 of those positions would be used for VISTA recruitment in the regional positions. The other increases would be used to get us up to the FTE level of 448, which as this committee advised us in the last prior fiscal year, was the level they thought we should be operating at.

Mr. STOKES. Can you tell us how many times per year state representatives visit the projects that they are monitoring?

Ms. KENNY. In fiscal year 1988, only 48 percent of our projects were able to have a monitoring visit, and that is because, again, of the program administration funds. We did not have enough money for travel.

In fiscal year 1989 we were pleased that that percentage went up to approximately 75 percent, but I must say it is a growing concern of ours. As I referenced in response to earlier questions, we are, in fact, dealing with life-threatening situations in many of our projects.

Also, frankly, a number of our volunteers are the most vulnerable segment of society. We are dealing with low income senior volunteers, and for that reason we feel it is critical that our staff be able to make the trips that are necessary in order to ensure not only that there is no waste, fraud and abuse, but also that the clients that they serve—the low income community are receiving the best we can provide them.

Mr. STOKES. Mr. Conte, anything further?

Mr. CONTE. I am all through.

Mr. STOKES. Ms. Kenny, on behalf of the Chairman, let me express our appreciation to you for your appearance.

I am sure he would want to say to you that this has been a good hearing, and he would want us to thank you and your colleagues.

[Questions and answers for the record and the justifications follow:]

OFFICE OF THE INSPECTOR GENERAL

Mr. Natcher: What kinds of abuses or mismanagement practices have been discovered by the Inspector General in past years?

Ms. Kenny : As you are aware, the Office of the Inspector General (OIG) at ACTION became a statutory office, with Congressionally-mandated duties, responsibilities and authority, effective in April 1989, pursuant to the Inspector General Act Amendments of 1988. Prior to that, the OIG operated as an administratively-created office within the Agency. Judith A. Denny was appointed as the Agency's first statutory Inspector General (IG) in July 1989.

Since assuming her position, the IG has not identified any severe abuses or mismanagement practices. Instances of individual grantee negligence are dealt with on a case-by-case basis.

The IG has identified the Agency's audit resolution system and appeals process as the most significant area requiring greater management attention and improvement. An item of principal concern has been the appeals process, which has permitted disallowed costs to be appealed by the audited grantee and overturned by Agency management officials without input from the IG or the Audit Follow-up Official. For example, during the six-month period ending September 30, 1989, over $200,000 of previously disallowed costs resulting from IG audits were overturned without IG involvement. That amount represents a disproportionately high percentage of the total dollars involved in those audit reports on which final Agency action was taken.

The Agency has revised its internal operating procedures, and as a result, the IG reports that this problem has begun to diminish during the six-month period ending March 31, 1990. Currently, the IG is provided the opportunity to comment on each appeal reviewed by Agency management, and has been given adequate opportunity for input and discussion on those appeals in which the IG disagrees with Agency management. It is hoped that the numbers of appeals that are sustained will decrease substantially in the future, as the OIG and Agency management work to improve the quality control on the audits and process that leads to final Agency management decisions.

Another problem identified by the IG is the wide gap in the dollar amounts questioned in OIG audits and the dollar amounts subsequently disallowed in management decisions. This problem may be attributed, at least in part, to a lack of understanding about required documentation on the part of ACTION grantees and ACTION officials who monitor the grants. Consequently, the IG is committed to carefully analyzing potential audit findings to resolve as many documentation issues as possible before the audit report is issued. The IG is also clarifying requirements and working with management officials toward a mutual understanding of what costs should be disallowed.

With regard to final management decisions in which costs have been disallowed, the OIG has indicated that collection efforts need more attention. Specifically, as a result of recommendations contained in an IG audit of the collections process performed in December 1988, the Agency has initiated a significant effort to clear up a tremendous backlog of collections. While success in collecting very old accounts may be limited, the IG is working closely with management in an effort to prevent similar problems in the future.

Aside from the aforementioned problems within the Agency's audit operations, the IG's audits of ACTION grantees in recent years indicate that many recipients fail to maintain proper documentation to support various expenditures. Lack of proper documentation for expenditures is the chief reason for questioned costs in IG audit reports. These expenditures include items such as payroll, travel, and training. In addition, many grantees fail to properly account for non-Federal income, such as receipt of in-kind contributions.

As mentioned above, the IG is working with Agency management officials to train grantees and officials who monitor grants on the importance of record-keeping and proper documentation of expenditures. For example, for the first time the Inspector General is providing training to all project directors and some ACTION staff at a series of training conferences (TADS) held on a regional basis. I would note, however, that the impact of this training is limited by the Agency's program administration monies, as only a portion of the ACTION staff has attended these sessions in FY 1990 because of limited travel funds. The program administration monies that we are requesting for FY 1991 will support greater participation by ACTION staff at these conferences.

Mr. Natcher: Approximately how many grants have been terminated as the result of audits?

Ms. Kenny : I cannot identify with any degree of certainty any grants that have been terminated as the direct result of an audit. In a few instances, where grantee performance has warranted termination of a grant, we have also conducted an audit to assure the proper safeguarding of Federal funds.

I would point out that early termination of a grant is an extreme measure that takes place only when there is a "material failure of a recipient to comply with the terms and conditions of the grant." 45 CFR 1206.1-1. Other sanctions are available to the Agency when significant deficiencies are discovered by the IG. For instance, when costs are questioned in an IG audit report, the Agency will make a final decision as to disallowance of the costs. Disallowed costs become an account receivable to the Government.

In instances where criminal fraud is suspected, the Agency has the option of referring the case for criminal prosecution or administrative action. This option is especially advantageous when there is evidence of wrongdoing by a specific individual, but no evidence that the grantee, as an entity, is responsible for the wrongdoing. In cases such as this, it makes more sense to punish the individual wrong doer instead of the grantee or volunteer community which it serves.

PROGRAM ADMINISTRATION

Mr. Natcher: **How do you justify an 11% increase in program administration when you have not increased the number of new grants under the Older American Volunteer programs, and the regular VISTA program has only a modest increase?**

Ms. Kenny: The increase in the total budget is $16.8 million, or 9.5%. Within that total, we have provided for increases of 40% for the regular VISTA program, 98% for the Literacy Corps portion of VISTA, and 98% for the Student Community Service program. We are also providing monies for the stipend increase for Older American Volunteer Programs and will increase the total the Agency is spending on drug abuse prevention activities by 4%. So, we believe that we have provided for a significant increase in our program budgets.

The increase for program administration remains absolutely essential if this Agency is to carry out its responsibilities effectively and efficiently, as well as implement major provisions of the Domestic Volunteer Service Act Amendments of 1989.

Over the last several years, our program administration funds have been eroded, primarily by inflation and by cuts imposed during the appropriations process. We cannot continue to operate the Agency at a reduced level, and at the same time expect that the services we provide our projects, as well as our responsibilities to safeguard federal funds, will be carried out as they should.

A major part of the increase in program administration will support 13 additional positions for recruitment and placement activities under VISTA. This is a direct response to the 1989 Amendments to the Domestic Volunteer Service Act, and is critical if we are to meet the program expansion in VISTA and Literacy Corps requested elsewhere in our budget.

In addition, we are seeking to fill a number of critical positions, primarily in our state and regional offices, that remain vacant because of the lack of funds. In the past, our appropriations committees have approved a staffing level of 448 for the Agency. We anticipate that our FY 90 budget will allow us to fill only approximately 430 FTE. Our budget will enable us to reach the authorized ceiling plus add the VISTA recruitment effort.

Our budget will support a number of mandatory cost increases, including salaries and benefits, telecommunications, equipment and supplies, and rent. Also, given the fact that over 25% of our employee population will be eligible for retirement within the next 5 years, we need to launch an aggressive recruitment and training program very soon, if we are to meet the program delivery and management challenges facing this

Agency in the 90's and beyond. Coupled with this effort, in order to maximize our relatively modest resources, we need to automate ACTION support services to the maximum extent possible. This requires the introduction and/or upgrade of computers throughout the Agency.

Finally, our request will support certain computer equipment to maximize efficiency of operations, and will enable us to replace our outmoded VISTA payroll/personnel system with a modern, effective system that meets the needs of volunteers and our state and field offices.

Mr. Natcher: Please review the staffing reductions over the past couple years and tell us how the 1991 increase will be allocated?

Ms. Kenny: Since October of 1987, our total staffing has declined from 470 full-time permanent staff to 425 in March, 1990. That is a reduction of 45 positions. During that period, regional and state staffing levels increased from 247 to 255. Headquarters staff has declined from 223 to 170, a decrease of 24%. The overall staff reduction reflects the budget ceilings provided in ACTION's appropriations. For FY 91, the Agency estimates 480 permanent positions, an increase of 20 above the FY 90 level.

Four positions will be allocated to the Office of Domestic and Anti-Poverty Operations Headquarters staff to implement the volunteer recruitment and placement program called for in the Agency's authorizing legislation.

Thirteen positions will be allocated to the field activities of the Agency, one for each region to oversee the recruitment program, with the additional four position assigned to the state offices.

One position will be added to the Evaluation function, and two positions are planned to be assigned to the Office of Public Affairs, one to assume the responsibilities for public information activities for Regions, I, II, III and IV, currently being performed as an additional duty by Headquarters staff, and the other to serve as Chief, Marketing Services and Program Support Branch.

Mr. Natcher: How has the ratio of state representatives to volunteers changed from 1980 to 1990?

Ms. Kenny: In 1990 there are nearly 2½ times as many volunteers per state representative than there were in 1980. Specifically, in 1980, we supported 296,000 volunteers with 178 state representatives. Today, we support 483,000 volunteers with 121 state representatives.

Mr. Natcher: How many times per year do state representatives visit the projects which they are monitoring?

Ms. Kenny: The monitoring goal is to visit each project which is six months or older once each fiscal year, subject, of course, to the availability of travel funds and of state staff.

In FY 1989 approximately three quarters of projects scheduled to be visited actually were. This figure represents more than a fifty percent increase over FY 1988. However, our goal is to reach 100% of projects each year.

Mr. Natcher: Your request of over $3.3 million for travel in 1991 is more than triple the 1990 level. What accounts for this increase?

Ms. Kenny: Of the total travel increase of $2.3 million in Fiscal Year 1991, $2.1 million is for the travel of VISTA Volunteers and trainees. We are proposing to expand the amount of training significantly because of the importance of having qualified VISTA Volunteers providing assistance to our projects. Finally, the increase in travel for VISTA will also provide for the costs of relocating volunteers placed through the recruitment system.

In addition to travel for the VISTA program, we have budgeted an additional $179,000 for increased costs for staff travel for VISTA recruitment. In addition, we have included monies for participation in the VISTA training as well as for project monitoring purposes. Our goal in the area of project monitoring is to visit every project at least once a year.

AGENCY BUDGET

Mr. Natcher: What was the impact of sequestration on your 1990 budget?

Ms. Kenny: In Fiscal Year 1990, the total amount sequestered was $2,477,000, or 1.4%. This percentage was applied evenly against all activities.

Under sequestration, the objectives for the VISTA program will be met as the Agency converted the health contract for volunteers from a calendar year to a fiscal year basis, thereby enabling the Agency to meet the service year floor in the 1989 Amendment to the Domestic Volunteer Service Act. However, the Literacy Corps' volunteer service years will be reduced by ten, since the sequester did not permit both their funding and the evaluation of the program contained in the 1989 Amendments to the Domestic Volunteer Service Act.

The Older American Volunteer Programs will not be adversely affected by the sequester, since following the sequester, these programs have an additional $2.9 million above the amounts available in FY 1989. These new monies will be distributed primarily for programs of national significance and administrative costs, in accordance with the Domestic Volunteer Service Act Amendments of 1989.

For program administration, the reduction resulting from sequester was $367,000. This has resulted in a reduction of approximately 9 full-time equivalent positions in staffing for the Agency.

VISTA VOLUNTEERS

Mr. Natcher: How much is included in your 1990 and 1991 budget for health care benefits for volunteers? Are you undertaking efforts to control the rapid escalation of these costs?

Ms. Kenny: Our 1991 budget for health care costs for VISTA volunteers, including Literacy Corps, is $4.4 million. This represents a cost of $1,236 per volunteer service year. In 1990, we have budgeted $2.3 million for health costs for volunteers. These monies will support 3/4 of a year of health costs at an annualized rate per volunteer of $1,098. Hence, the increase per volunteer service year from 1990 to 1991 is $138 or 13%. Over the period 1989-91, the estimated cost per volunteer service year has grown from $852 to $1,236, an increase of 45%.

We are undertaking a number of efforts to control the escalation of these costs. We have asked ACTION's Inspector General to audit the health contract costs, and to make recommendations for reducing costs. We have asked a private actuary to determine the savings from a number of potential actions, including the introduction of deductibles. We will consider these, and other recommendations, during our effort to recompete the VISTA health contract. The current contract expires at the end of calendar year 1990.

Mr. Natcher: Provide a 10-year table which displays the total cost per VISTA, Foster Grandparent, and Senior Companion volunteer from 1982 to 1991.

Ms. Kenny: The chart follows.

TEN-YEAR TABLE OF TOTAL COST PER VOLUNTEER SERVICE YEAR FOR VISTA, FOSTER GRANDPARENT, AND SENIOR COMPANION PROGRAMS

FY	VISTA COST PER VSY	FGP COST PER VSY	SCP COST PER VSY
1982	$7,200	$2,897	$3,060
1983	$7,267	$2,898	$3,027
1984	$7,514	$2,952	$3,094
1985	$7,712	$3,244	$3,403
1986	$7,508	$3,129	$3,190
1987	$7,924	$3,176	$3,255
1988	$7,904	$3,229	$3,301
1989	$8,256	$2,973	$3,443
1990	$8,951	$3,312	$3,422
1991	$10,523	$3,449	$3,451

1982 TO 1991

Mr. Natcher: Distribution of VISTA Volunteers across U.S.

Ms. Kenny:

Region	Regular VISTA FY 90 Allocation	Literacy Corps FY 90 Allocation
1	171	20
2	409	48
3	412	48
4	464	53
5	343	40
6	415	48
8	167	21
9	279	33
10	140	14
Total	2800	325

STIPENDS AND SUBSISTENCE ALLOWANCES

Mr. Natcher: **Provide a table which displays the 1991 increases which are Congressionally mandated such as increases in stipends, subsistence allowances, and service years.**

Ms. Kenny: The table is provided. We have included mandated items which are to be carried out if sufficient funds are available (items 5 and 6).

1991 CONGRESSIONALLY MANDATED INCREASES IN STIPENDS, SUBSISTENCE ALLOWANCE AND SERVICE YEARS

Congressionally Mandated Item	Budget Activity	Amount of Increase ($ mil.)
1. Minimum volunteer service year floor of 3,000.	VISTA	$2.1
2. Set subsistence rate for VISTA volunteers at minimum of 105% of poverty level.	VISTA	1.8
3. Increase stipend for VISTA volunteers from $75 to $90 per month.	VISTA	0.6
4. Provide 1.5% for recruitment and public awareness activities.	VISTA	0.4
5. Increase stipend in Older American Volunteer Programs from $2.20 to $2.35 per hour. 1/	FGP/SCP	4.0 2/
6. Set up office to promote VISTA recruitment; designate regional staff to carry out recruitment function.	VISTA	0.6 3/
Subtotal, ACTION's appropriation		$9.5

1/ To be provided only if appropriations levels are sufficient both to maintain the preceding year's number federally supported volunteers and to cover the cost of the stipend increase.

2/ Net increase, on a comparable basis, for these programs between 1990 and 1991 is $3.0 million.

3/ Reflects Administration proposal in 1991 budget; minimum amount not set in the legislation.

AVERAGE AGE OF A VISTA VOLUNTEER

Mr. Natcher: Provide a table which shows the average age of VISTA Volunteers from 1981 to 1991.

Ms. Kenny: The table below provides available data on the average age of VISTA Volunteers from 1981 to 1991:

FY	Median	Average Age
1981	30	36
1982	32	39
1983	36	40
1984	35	40
1985	37	40
1986	35	42
1987	35	41
1988	38	36
1989	38	36
1990	Not yet available	
1991	Not yet available	

The average age of VISTA Volunteers in FY 1990 and 1991 is not available. The VISTA program will comply with the statutory requirements that at least 20% of all Volunteers be 55 years of age or older; and that at least 20% of all Volunteers in FY 1991 be 18 to 27 years of age.

RENT INCREASE

Mr. Natcher: Please explain why rent has increased by $555,000 or 20% over the 1990 level.

Ms. Kenny: The 1991 level represents estimates provided by the General Services Administration for rent to be reflected in the Agency's budget for that particular fiscal year. These monies are provided to the General Services Administration for the payment of rent on leased space as well as the operation of Government-owned facilities. The 1990 level was developed at the time that first quarter bills for 1990 were received from the General Services Administration. ACTION simply annualized the costs of those bills. At this time, we are uncertain as to the final amounts for Fiscal Year 1990. If they remain as projected for 1990, then the difference between 1990 and 1991 will be $555,000 unless GSA lowers the estimates for 1991 as well.

OFFICE OF THE INSPECTOR GENERAL

Mr. Natcher: Which audits would be conducted in-house and which audits would be contracted out? What would be the audit cycle under your proposed request? How many audits would be conducted in-house and how many would be contracted in 1991?

Ms. Kenny : The Office of the Inspector General will not begin to work on its FY 1991 audit plan until the fourth quarter of FY 1990. However, the process to determine the plan and the resources available to implement it are expected to closely mirror that which was developed and implemented during FY 1990.

In general, the audit plan of the Inspector General is to audit those non-profit organizations with grants that exceed $100,000 on a four-year cycle. ACTION relies primarily on cognizant agencies to audit state and local governments with grants over $100,000. In addition, a small number of remaining grantees (grants less than $100,000) are audited using a judgmental sample, or where particular information is provided that suggests an audit is warranted.

It has been the OIG's policy to use the services of contracted CPA firms to supplement ACTION's in-house audit capability. Generally, contracted firms are assigned grant audits that are considered to be of a routine nature, identified as part of the OIG's cyclic effort to audit high-dollar grant awards. Audits that are considered to be reactive, sensitive, or complex are normally performed by in-house staff. It is estimated that approximately 80 individual grant audits will be performed during FY 1991, equally divided between in-house and contracted resources. In addition, in-house staff is expected to perform a variety of operational audits, system surveys, quality assurance reviews, special projects and investigations in support of the OIG's general oversight function.

Mr. Natcher: **What is the relative cost difference between in-house and contracted audits? Could most of the IG functions be contracted?**

Ms. Kenny: There have been no formal cost benefit analyses that accurately reflect cost differences between in-house and contracted audits under ACTION's current circumstances with a statutory Inspector General.

Historically, ACTION's Inspector General has relied upon a mixture of in-house and contracted audits to perform this function. Generally, contracted firms are assigned grant audits that are considered to be of a routine nature. Audits that are considered to be reactive, sensitive, or complex are normally performed by in-house staff.

Regarding the question on contracting for the performance of the Inspector General functions, I am requesting the ACTION Inspector General to research what other grant-making agencies have been or are doing in the area of cost benefit analysis. After reviewing those findings and giving due consideration to the requirements of OMB Circular A-76 and experience in upgrading the quality of ACTION's contractor conducted audits, ACTION will be in a better position to assess whether or not it is cost effective to contract out additional activities or functions.

Mr. Natcher: **Provide a breakdown of the 1991 IG staff by positions which displays grade, salary and benefits estimates.**

Ms. Kenny : A chart listing the IG staff by position, grade, salary, and benefits is attached.

USE OF FUNDS PROVIDED BY CONGRESS IN FY 1990

The FY 1990 Appropriations bill, prior to the Gramm-Rudman sequester, provided increases of approximately $1.5 million for the Foster Grandparent Program, $1.9 million for the Senior Companion Program, and $1 million for the Retired Senior Volunteer Program.

Mr. Roybal: **What was the effect of the Gramm-Rudman sequester on the increases made available by Congress for the OAVP programs in FY 1990?**

Ms. Kenny: The total amount sequestered from the Older American Volunteer Programs was $1,661,000, or 1.4%. This percentage reduction was applied against all three programs.

None of the Older American Volunteer Programs has been adversely affected by the sequester, as even with the sequester, the programs will have an additional $2.9 million available when compared to funding in FY 89.

OFFICE OF THE INSPECTOR GENERAL
FY 1991 GRADE, SALARY, AND BENEFITS ESTIMATES

POSITION	GRADE	ANNUAL SALARY	BENEFITS	TOTAL
INSPECTOR GENERAL POSITION TOTAL	ES-04	$91,885	$10,998	102,883
SUPERVISORY AUDITOR POSITION TOTAL	GM-15	$66,510	$8,655	75,165
AUDITOR POSITION TOTAL	GM-14	$61,002	$6,471	67,473
ATTORNEY ADVISOR POSITION TOTAL	GM-14	$55,878	$15,141	71,019
INVESTIGATOR-VACANT POSITION TOTAL	GS-13	$47,694	$7,512	55,206
AUDITOR POSITION TOTAL	GS-13	$56,365	$7,742	64,107
AUDITOR POSITION TOTAL	GS-13	$52,030	$4,530	56,560
AUDITOR-VACANT POSITION TOTAL	GS-13	$47,694	$7,512	55,206
AUDITOR POSITION TOTAL	GS-13	$45,894	$6,619	52,513
AUDITOR POSITION TOTAL	GS-13	$44,976	$14,203	59,179
STAFF ASSISTANT POSITION TOTAL	GS-11	$36,763	$6,056	42,819
STAFF ASSISTANT POSITION TOTAL	GS-07	$24,180	$4,913	29,093
SECRETARY POSITION TOTAL	GS-06	$21,581	$1,884	23,465
OFFICE TOTAL		$652,452	$102,236	754,688

04/06/90

Mr. Roybal: **How and when do you plan to allocate the new funds provided for FY 1990, considering the fact that we are now half-way through the fiscal year?**

Ms. Kenny: In RSVP, awards for increases in administrative costs and Programs of National Significance are targeted for June 30.

Implementation plans for FGP and SCP are currently being developed. We will allocate these funds early in the fourth quarter.

UNEXPENDED BALANCES AND RECYCLING OF FUNDS

Mr. Roybal: **What amount of "unexpended balances" will be available in FY 1990 for the Older American Volunteer Programs?**

Ms. Kenny: The following are estimates of unexpended balances in the Older American Volunteer Programs as of 3/31/90.

Foster Grandparent Program	- $895,672
Retired Senior Volunteer Program	- $50,000
Senior Companion Program	- $583,000

Mr. Roybal: **Why is there such a large amount of "unexpended balances" this year?**

Ms. Kenny: There was a substantial increase of unexpended balance in the Senior Companion Program reported in FY'89, reflecting a relatively slow start-up of many of the 43 new projects funded the previous year. In FY'90, the amount of unexpended balances has diminished considerably.

An increase in unexpended balances in the Foster Grandparent Program is anticipated in FY'90 as the result of slow initial development of several new projects funded the previous year.

The Retired Senior Volunteer Program experienced very small unexpended balances in both FY'88 and FY'89 and this pattern continues into FY'90.

It should be noted that most monies in Foster Grandparent and Senior Companion grants support volunteer stipends and benefits. Projects which have not achieved their budgeted level of volunteer service years create the unexpended balances.

Mr. Roybal: How do you plan to spend these funds in FY 1990?

Ms. Kenny: Plans for utilizing these funds consistent with the mission of each program are currently under development.

One such initiative has already been approved. ACTION has entered into an agreement with the Administration on Aging, to jointly support a Senior Companion Program demonstration effort directed at the over 80 frail elderly.

STIPEND INCREASE

Mr. Roybal: What amount of funds are available in the Administration's FY 1991 budget request to pay for the newly authorized 15 cent per hour increase in the stipend for the low-income volunteers in the Foster Grandparent and Senior Companion Programs?

Ms. Kenny: The FY 1991 budget request includes $4.0 million to cover the stipend increase for the Foster Grandparent and Senior Companion Programs.

Mr. Roybal: Why haven't you requested sufficient funds to cover the entire cost of the stipend increase?

Ms. Kenny: The reason why the aggregate increase for those programs is only $2.7 million, is that there is some activity that will be funded under those programs on a multi-year basis in 1990. So, we do not need those particular monies on a recurring basis in 1991.

Mr. Roybal: **How many of non-ACTION funded Foster Grandparent and Senior volunteers serve on:**

(a) ACTION Funded projects
(b) Non-ACTION funded projects that operated under the terms of memorandum of agreements with ACTION?

(c) How will you assure that these volunteers are treated equally with ACTION-funded volunteers so that they also receive the 15 cent per hour increase in the stipend?

Ms. Kenny: FGP

(a) There are 2,062 non-ACTION VSYs in the 264 ACTION funded FGP projects.

(b) There are 438 VSYs funded in 12 non-ACTION funded FGP projects.

SCP

(a) There are 1,024 non-ACTION funded VSYs in the 142 ACTION funded SCP projects.

(b) There are 776 VSYs funded in 28 non-ACTION funded SCP projects.

(c) The stipended increase will only apply to ACTION funded FGP/SCP volunteers. Agencies supporting non-ACTION volunteers will be given notification to allow them ample time to generate non-ACTION funds to cover the stipend increase for the volunteers they support.

Mr. Roybal: **I have received a copy of a letter from a California Director of an ACTION supported Foster Grandparent/Senior Companion Program who reports that his project has successfully generated local funds to augment the ACTION grant to support an additional 55 volunteers. The 15 cent per hour increase would require an additional $8,580. This Director writes that "local funders do not have these additional funds to augment existing grants and there would be a net loss of volunteer positions without assistance from ACTION."**

What steps will you take, assuming the availability of funds, to assist grantees who have been successful in generating non-ACTION dollars to support additional volunteers on their projects in providing the stipend increase to both ACTION and non-ACTION supported volunteers serving in their projects?

Ms. Kenny: ACTION has not requested monies in its FY 1991 budget for the stipend increase for non-ACTION funded volunteers. In the 1989 Amendments to the Domestic Volunteer Service Act, ACTION was directed to provide information to projects which have non-federally funded volunteers to encourage the provision of the stipend increase to these individuals. ACTION will provide such information within the next 30 days. It is our policy that the increased stipend for non-federally funded volunteers should be provided from other than Federal sources. If, however, Congress appropriates additional monies specifically for this purpose, the administrative procedures exist for providing these funds to affected ACTION grantees.

Mr. Roybal: **The fiscal year 1991 budget request submitted by the Administration does not include sufficient funds to provide for the stipend increase in fiscal year 1991 for even just the ACTION-supported volunteers, yet the budget narrative implies that the stipend increase will be forthcoming. Please explain.**

Ms. Kenny: The FY'91 budget request includes $4.0 million to cover the stipend increase. The reason why the aggregate increase in FGP and SCP is only $2.7 million, is that there is some activity that will be funded under those programs on a multi-year basis in 1990. So, we do not need those particular monies in 1991.

PROGRAMS OF NATIONAL SIGNIFICANCE

The Domestic Volunteer Service Act amendments of 1989 (PL 101-204), enacted this past December, requires that at least one-third of new funds provided above the previous years maintenance level be used for the newly authorized "programs of National Significance" grant program for the Older American Volunteer Programs.

Mr. Roybal: **What funds do you plan to utilize in FY 1991 to implement the new "Programs of National Significance" grant program?**

Ms. Kenny: In RSVP, $210,000, one-third of the $625,000 increase, will be utilized to implement the Programs of National Significance.

Plans are currently under development for implementing Programs of National Significance in the Foster Grandparent and Senior Companion Programs. We expect to allocate no less than one third of the new FY 1990 funds for this purpose.

Mr. Roybal: **How does the requirement in the 1989 amendments — that one third of new funds provided above the previous year's maintenance level be used for the new "Programs of National Significance" — impact on your plans to use the Administration's requested increases for the Older American Volunteer Programs solely for the stipend increases?**

Ms. Kenny: Our budget priority in FY 1991 is to provide the authorized stipend increase for Older American Volunteers. We plan to continue programs of National Significance at the level of funding available in FY 1990. Additional amounts for programs of national significance are not authorized in 1991 unless funds are provided above the level necessary to maintain the number of projects and volunteers funded in each of the Older American Volunteer Programs in the previous fiscal year. Hence, since the stipend increase will not impact on the number of volunteers and projects, and we are not requesting monies for additional volunteers and projects in 1991, there is no requirement to spend any additional monies on programs of national significance in 1991.

SUPPORTING NEW GRANTS INITIATED IN FY 1990

Mr. Roybal: **Do you plan to award "National Significance Grants" during the current fiscal year?**

Ms. Kenny: Yes. The development of Programs of National Significance is an OAVP programming priority.

Mr. Roybal: **How many such grants do you plan to award, and what will be the total amount spent to award those grants?**

Ms. Kenny: In RSVP, approximately 42 grants will total $210,000.

Plans for FGP and SCP are currently under development. We do expect to allocate no less than one third of the FY 1990 funding increase for this purpose.

Mr. Roybal: **What will be the cost in fiscal year 1991 of maintaining "Programs of National Significance Grants" initiated in FY 1990?**

Ms. Kenny: In RSVP, $210,000 will be required to maintain the Programs of National Significance grants. At a minimum, no less than one third of the FY 1990 funding increase, or $231,700 and $519,000, will be required for FGP and SCP respectively.

Mr. Roybal: **What source of funds do you plan to use in FY 1991 to maintain these grants?**

Ms. Kenny: Funds are included in the continuing grants line to continue the Programs of National Significance under each of the Older American Volunteer Programs.

COST OF LIVING ADJUSTMENTS

In fiscal year 1988 Congress provided cost-of-living increases for Older American Volunteer Program grantees to assist them in addressing administrative problems that have arisen due to years of frozen budgets. The most recent amendments to the Domestic Volunteer Service Act provide a permanent mechanism to enable ACTION to address this situation.

Mr. Roybal: **What are your plans for meeting cost-of-living adjustment needs of OAVP grantees under the provisions of section 506 of PL 101-204, the 1989 amendments to the Domestic Volunteer Service Act?**

Ms. Kenny: In FY 1990 for RSVP, $415,000 will be awarded to provide relief to projects adversely impacted by inflation in administrative cost items. It is important to note that these are annualized, not one-time only funds.

Plans are being developed at this time to provide administrative cost adjustments for FGP and SCP projects. We will have specific amounts to be allocated for this purpose as soon as the plans are completed.

Mr. Roybal: **You have not requested additional funds for FY 1991 to help meet the requirements of this new provision, why?**

Ms. Kenny: In FY 1991, we plan to meet requirements for administrative cost adjustments. We plan to use appropriated monies available in FY 1991, as well as unexpended balances.

COORDINATION OF PROJECTS

Mr. Roybal: **What coordination of efforts are planned between ACTION volunteer programs and the Headstart program?**

Ms. Kenny: OAVP staff maintains staff contact with the Headstart program. An Agency representative made a panel presentation at the recent National Headstart 25th Anniversary Conference. Coordination of program resources has continued over the years which has resulted in the assignment of Foster Grandparent and RSVP volunteers to a significant number of Headstart sites all over the country.

MINORITY REPRESENTATION IN ACTION PROGRAMS

Mr. Roybal: **What is the level of minority representative in VISTA programs?**

Ms. Kenny: The following statistics reflect the racial/ethnic composition of VISTA Volunteers as of 2/28/90:

Black	22.5%
Hispanic	11.2%
American Indian/ Alaskan Native	4.5%
Asian/Pacific Islanders	2.3%
White	46.0%
No Response	13.5%

The total number of VISTA Volunteers serving on 2/28/90 was 3,384.

Mr. Roybal: **What is the level of minority representation in the Foster Grandparent, the Senior Companion and the Senior Retired Volunteers Programs? Please respond by race and ethnic groups.**

Ms. Kenny:

	RSVP	FGP	SCP
Black (not Hispanic)	10%	35%	32%
Hispanic	4%	9%	8%
Indian/Alaskan Native	1%	3%	3%
Asian/Pacific Islander	1%	2%	2%
	16%	49%	45%

GRAMM RUDMAN SEQUESTERATION

Mr. Early: **What was the effect of the Gramm-Rudman sequester on the increases available for these three programs?**

Ms. Kenny: In Fiscal Year 1990, the total amount sequestered for the Older American Volunteer Programs was $1,661,000, or 1.4%. This percentage was applied evenly against all three programs.

The Older American Volunteer Programs will not be adversely affected by the sequester, since following the sequester, these programs have an additional $2.9 million above the amounts available in FY 1989. These new monies will be distributed primarily for programs of national significance and administrative costs, in accordance with the Domestic Volunteer Service Act Amendments of 1989. Hence, the effect of the sequester was to reduce the amount of funds available for these new programs.

Mr. Early: **Were the cuts applied proportionately to all Agency activities and programs. (If not, why not?)**

Ms. Kenny: The cuts were applied proportionately to all Agency activities and programs.

NEW FUNDS AND OLDER AMERICAN VOLUNTEER PROGRAMS

Mr. Early: **Your budget justification indicates that no new projects are planned during FY 90 for the three Older American Volunteer Programs. How do you plan to allocate the new funds provided for FY 1990?**

Ms. Kenny: In RSVP, the $625,000 increase will support increases in administrative costs and implement the Programs of National Significance. Approximately $415,000 will go to the administrative cost increases. The remaining $210,000 will go to Programs of National Significance.

The new funds for FGP and SCP will also be used to cover administrative cost increases and support Programs of National Significance. Plans are currently under development for the allocation of these funds.

Mr. Early: **How many existing grantees in each of the three Older American Volunteers Programs will be receiving additional funds in FY 90 to increase their volunteer strength?**

Ms. Kenny: In RSVP, an estimated 42 grants of National Significance will support additional volunteers.

For FGP and SCP, the number of grantees that will be receiving additional funding will be determined as soon as the allocation plans for these programs are completed.

Mr. Early: **Will these be permanent, annualized increases?**

Ms. Kenny: The increases in RSVP will be annualized.

The plans for the allocation of FGP and SCP funds are now under development. We will notify the Committee when they have been completed.

Mr. Early: **(If No) How will grantees be expected to maintain these new initiatives in subsequent years?**

Ms. Kenny: As stated in our response to the previous questions, the increases in RSVP will be annualized.

The plans for the allocation of FGP and SCP funds are now under development. We will notify the Committee when they have been completed.

Mr. Early: **What is your timetable for awarding these new grants?**

Ms. Kenny: RSVP increases are targeted for awarding by June 30.

Implementation plans for FGP and SCP are currently being developed. We will allocate these funds early in the fourth quarter of the fiscal year.

UNEXPENDED BALANCES

Mr. Early: **What amount of "unexpended balances" will be available in FY'90 for the Older American Volunteer Programs.**

Ms. Kenny: The following are estimates of unexpended balances in the Older American Volunteer Programs as of 3/31/90.

Foster Grandparent Program	- $895,672
Retired Senior Volunteer Program	- 50,000
Senior Companion Program	- 583,000

Mr. Early: **How do you plan to spend these funds in FY'90?**

Ms. Kenny: Plans for utilizing these funds consistent with the mission of each program are currently under development.

Mr. Early: **How does the amount of unexpended balances available in FY'90 compare to the amounts available for each of the past three fiscal years, and how do you account for the increase in FY'90?**

Ms. Kenny: The estimated unexpended balances in FY'90 represent a decrease from the previous several fiscal years. The major source of unexpended balances is the slow start up of new projects. Most new projects are not fully operational until the end of their third year.

Program	FY 1988	FY 1989	FY 1990
Retired Senior Volunteer Program	$159,488	$245,490	$50,000 (*)
Foster Grandparent Program	1,187,347	1,323,018	895,672 (*)
Senior Companion Program	607,892	2,363,015	583,000 (*)

(*) Estimates as of 3/31/90.

Mr. Early: **How were the unexpended balances spent for each of the past three fiscal years — Please provide a program by program comparison for each year as to the amount used for recycling grants and the amount which found its way to the program?**

Ms. Kenny: All unexpended balances were spent in accordance with the mission of, and the program of, activities authorized by the Domestic Volunteer Service Act Amendments. There is no distinction between "recycling grants" and "the amount which found its way to the program," because the unexpended balances are spent for purposes authorized in statute. Examples include: (a) special initiatives such as Library Assistance, VA in-home care, and intergenerational substance abuse prevention; (b) projects to address particular one-time needs created by disasters such hurricanes; (c) extension of grant cycles to assist grantees in having ACTION's grant periods conform to local fiscal periods and for other purposes; (d) grants to meet the particular transportation needs of projects; (e) challenge grants to stimulate the provision of local and private support for volunteer activities; and (f) training and related initiatives to help strengthen project management.

Recycling Program	Costs FY 1988	FY 1989	FY 1990
RSVP	59,488	109,990	22,700 *
FGP	658,573	1,113,518	175,300 *
SCP	244,459	1,837,821	0

* Actual as of 3/31/90.

Mr. Early: **What will be the result of recycling on the FY 1991 budget for ACTION?**

Ms. Kenny: The impact on the FY 1991 budget as a result of recycling is that some of the monies not needed in FY 1991, due to extended grant cycles in FY 1990, will be used to cover part of the stipend increase slated for FY 1991.

FOSTER GRANDPARENT/SENIOR COMPANION STIPEND

Mr. Early: **What amount of funds are available in the Administration's FY 1991 budget request to pay for the newly authorized increase in the stipend for the low-income volunteers in the Foster Grandparent and Senior Companion Programs?**

Ms. Kenny: The FY 1991 budget request includes $4.0 million to cover the stipend increase mandated by Congress for the Foster Grandparent and Senior Companion programs.

Mr. Early: **The fiscal year 1991 budget request submitted by the Administration does not include sufficient funds to provide for the stipend increase in FY 1991 for even just the ACTION supported volunteers, yet the budget narrative implies that the stipend increase will be forthcoming. Please explain.**

Ms. Kenny: The reason why the aggregate increase for those Programs is only $2.7 million, is that there is some activity that will be funded under those Programs on a multi-year basis in FY 1990. So, we do not need those particular monies on a recurring basis in 1991.

NATIONAL SIGNIFICANCE

Mr. Early: **Do you plan to award "National Significance Grants" during the current fiscal year?**

Ms. Kenny: Yes, we estimate that approximately 42 grants totalling $210,000 will be awarded in RSVP. The estimated number of grants for FGP and SCP will be available as soon as implementation plans that we are currently developing for these Programs are completed.

INTER-AGENCY AGREEMENTS

Mr. Early: **What is the status of current or planned Inter-Agency Agreements involving the Older American Volunteer Program?**

Ms. Kenny: There are a number of on-going Interagency Agreements involving the Older American Volunteer Programs. These includes:

- SCP/RSVP and the Department of Veteran Affairs
- FGP and the Department of Defense
- RSVP and the National Commission on Libraries and Information Science

In addition, we are currently in the process of implementing a collaborative effort with the Administration on Aging to expand Senior Companion services to the over 80 frail elderly.

Mr. Early: **What amount of funds have other Federal agencies contributed to inter-agency efforts?**

Ms. Kenny: Over the years, we have had a number of inter-agency agreements with other Federal agencies. In Fiscal Year 1990, under plans developed to date, the Administration on Aging, Department of Health and Human Services, is contributing $795,000 to a joint effort between that agency and ACTION for the current fiscal year.

Mr. Early: **The transfer of $2 million in Senior Companion funds to the Administration on Aging for the AOA discretionary grants program appears contrary to the history of inter-agency agreements through which new funds were leveraged for ACTION's programs. Are you unable at ACTION to get these funds out to the field through your own field structure?**

Ms. Kenny: The amount of Senior Companion funds involved in this initiative is $1.2 not $2.0 million dollars. The Administration on Aging is contributing $795,000 to this joint effort. Our method for awarding these funds is not at variance with prior practice. For example, we used a similar method to implement a joint initiative with the Alzheimers Disease and Related Disorders Association (ADRDA).

TRANSFERRING THE OLDER AMERICAN VOLUNTEER PROGRAMS

Mr. Early: **What is your position on the question of transferring the Older American Volunteer Programs in total to the Administration on Aging.**

Ms. Kenny: We strongly believe the Older American Volunteer Programs belong in ACTION and should not be transferred to any other Federal agency. Retired Senior Volunteers, Foster Grandparents and Senior Companions all provide valuable voluntary service to their communities. These programs are consistent with, and central to, ACTION's mission as the Federal domestic volunteer agency.

ACTION is uniquely able to support these programs. ACTION works directly with the community-based organizations administering the volunteer activities. The Agency's network of State Program Offices assures that knowledgeable, committed staff are available to provide support and supervision to grantees on an on-going basis. ACTION's stewardship of the Older American Volunteer Programs during the last 19 years has been marked by program growth, evolution of the senior volunteer into a nationally-recognized resource addressing some of the toughest problems in the nation and a national network of well managed, enthusiastic senior volunteer efforts.

COST-OF-LIVING ADJUSTMENT

Mr. Early: **What are your plans for meeting cost-of-living adjustment needs of OAVP grantees under the provisions of Section 506 of PL 101-204?**

Ms. Kenny: In FY 1990 for RSVP, $415,000 will be awarded to provide relief to projects adversely impacted by inflation in administrative cost items.

Plans are being developed at this time regarding the FGP and SCP projects. We will have specific amounts to be allocated for this purpose as soon as the plans are completed.

Mr. Early: **You have not requested additional funds for FY 1991 to help meet the requirements of this new provision — Why not?**

Ms. Kenny: In FY 1991, we plan to meet requirements for administrative cost adjustments. We plan to use appropriated monies available in FY 1991, as well as unexpended balances.

I have recently become aware of the work of the Friends of VISTA, a group composed predominantly of "alumni" of the VISTA program. These individuals remain dedicated to the ideals of VISTA and are working to insure that this program continues to be vital.

VISTA LITERACY CORPS EVALUATION

Mr. Dwyer: **The budget justification states that ACTION is unable to accede to the recommendations of the Appropriations Committee to support 335 VISTA Literacy Corps service years in fiscal year 1990, because the reauthorization requires a reevaluation of the VISTA Literacy Program. On page 35 and 36 of the budget justification you list contend that VISTA Literacy Corps will produce 325 volunteer service years on more than 70 projects in fiscal year 1990. As you have not requested any additional funding for evaluation in fiscal year 1991, do you believe that you will complete your evaluation during fiscal year 1990? When will the evaluation of this program be complete?**

Ms. Kenny: The contract for the evaluation of the VISTA Literacy Corps will be awarded in June 1990. The evaluation will be completed in the second quarter of fiscal year 1991.

VISTA VOLUNTEER PROGRAM AND AIDS

Mr. Dwyer: **This year, the Administration has announced its support for "one-stop shopping" initiatives, to provide low-income and other at-risk individuals with a "supermarket" of social programs in one location. As VISTA Volunteers work diligently with at-risk persons, how will this program collaborate with those agencies in HHS which are slated to provide one-stop accessibility to social services?**

Ms. Kenny: Under the concept of "one-stop shopping" for social service programs, VISTA Volunteers could be involved in several types of activities including:

o information to and referral of clients to the central social service location;

o promotion of the "one-stop" social program "supermarket" through public awareness activities;

o recruitment and training of community volunteers to provide follow-up support for clients of the central social service location;

o coordination and linkage between other service providers (including private non-profit organizations) and the "one-stop" program.

Such activities would help to ensure that clients' total needs are identified and addressed through available community resources.

Mr. Dwyer: **What types of programs does VISTA provide for substance abusers, especially those who are HIV-positive?**

Ms. Kenny: As of December 31, 1989, 479 VISTA Volunteers were serving on 99 alcohol/drug projects involved in the following activities:

o establishing alcohol/drug prevention projects in the community and in schools

o increasing community awareness of the hazards of alcohol/drug abuse

o organizing and supporting low-income parent groups which are addressing substance abuse problems

o coordinating peer educational activities

o prevention/education efforts within public housing projects

In one project, for example, VISTA Volunteers are providing educational materials to low-income housing project residents who are substance abusers on controlling the spread of the HIV virus.

Mr. Dwyer: **Are VISTA Volunteers trained to provide AIDS prevention counseling and education?**

Ms. Kenny: VISTA Volunteers focusing on AIDS prevention and education are provided with on-the-job training and technical assistance by their sponsoring organizations. Agencies such as hospitals, social service departments and universities are contacted to ensure comprehensive training for the VISTA Volunteers. They attend conferences seminars, workshops, and are provided with audio-visual equipment. Topics covered include: vaccinations; sexually transmitted diseases; drug/alcohol abuse; terminal illness; prenatal health care; teenage pregnancy.

Mr. Dwyer: **How are VISTA Volunteers trained to deal with substance abusers?**

Ms. Kenny: VISTA Volunteers receive in-service training and technical assistance from their project sponsors which focus specifically on activities related to the volunteer assignment. The kinds of training VISTA Volunteers receive include: education about substance abuse; prevention/intervention education; community mobilization; how to involve and motivate youth; stress management; communication skills; community awareness; and developing alternative activity programs.

ACTION DRUG ALLIANCE

Mr. Dwyer: **What types of prevention initiatives are planned for the ACTION Drug Alliance in fiscal year 1991? What types of grants will be funded?**

Ms. Kenny: The total amount available under Part C of Title I, $2,245,000, is being used for drug prevention programs, including:

— a series of grants to local organizations to establish projects which provide specific opportunities for volunteers to become involved in providing drug prevention services to high-risk youth, especially those in low-income communities.

— a series of small grants (approximately $9,000 each) to support projects designed to provide high-risk youth with adult or older youth mentors.

— grants that have innovative and potentially replicable strategies that include public/ private partnerships.

Mr. Dwyer: **The ACTION Drug Alliance seeks private sector partnerships to support its activities. What is the ratio of public to private dollars?**

Ms. Kenny: Thus far in FY 90, $986,000 Drug Alliance funds awarded have been matched by $870,732 in applicant funds which equals a 1.1 to 1 ratio of Drug Alliance to applicant funds.

Mr. Dwyer: **How are these funds monitored?**

Ms. Kenny: The Agency monitors these funds by reviewing each grantee's required quarterly Financial Status Report (FSR) submissions and by conducting, as part of an annual on-site monitoring visit, a review and assessment of each grantee's fiscal records and accounting procedures. The FSR submissions provide information quarterly on whether a grantee is expending its federal and non-federal funds in a manner consistent with its approved grant budget categories and timeframe. Any significant inconsistency identified is immediately reviewed with a grantee and appropriate corrective action taken.

Mr. Dwyer: **How much funding did the ACTION Drug Alliance receive in fiscal year 1989? How much funding do you expect for fiscal years 1990 and 1991?**

Ms. Kenny:

* Drug Alliance funding in FY 89 was $1,600,000.

* Drug Alliance funding in FY 90 is $1,314,000.

* Drug Alliance FY 91 funding request is $2,245,000.

Mr. Dwyer: **You have not requested any funding for the Supplemental Drug Abuse Prevention Program, although $5 million is authorized for fiscal year 1991. This supplemental funding is to be used to initiate private sector efforts. In your budget justification, you do not request funding under this account and state that all funds for drug abuse prevention and education is contained in the ACTION Drug Alliance account. Under what line item in the ACTION Drug Alliance account have you requested these funds? Isn't the total increase for ACTION Drug Alliance only $931,000 over fiscal year 1990?**

Ms. Kenny: In fact, we are requesting $2,245,000 for the Agency's drug activities under the authority provided by the Anti-Drug Abuse Act of 1988, P.L. 100-690, added to Title I, Part C, of the Domestic Volunteer Service Act. As you point out, $5 million is authorized for this program, and we are requesting a portion of the amount authorized.

Under our obligation table on page 7 of the justification, we have not listed any monies under the Supplemental Program simply because we are requesting this as part of the regular President's Budget, and not as a supplemental activity. Further, the Domestic Volunteer Service Act Amendments of 1989 bring this separate authority within Part C of Title I and extend the authorization to $5,250,000 for Fiscal Year 1992 and $5,500,000 for Fiscal Year 1993. Hence, in the future we will show a single line for our drug activities.

Finally, I would note that although the ACTION Drug Alliance and Supplemental Drug Abuse programs have developed under separate authorities and have been administered separately, in fact they support similar activities. We therefore endorse the notion of combining these separate authorities into a single program, as authorized in the 1989 Amendments to the Domestic Volunteer Service Act.

MONITOR OF OAVP PROJECTS

The Older American Volunteer Programs (OAVP) seek to unite the time and energy of Older Americans with the unmet needs of their communities.

Mr. Dwyer: **OAVP projects are locally sponsored and administrated. How are they monitored?**

Ms. Kenny: The agency goal is for all OAVP projects to be monitored annually on-site by the ACTION State Directors and State Program Specialists serving as project managers. Due to limited program administration funds, last year only 75 percent of all eligible ACTION projects were monitored. Comprehensive monitoring documents covering administrative, programming and recordkeeping areas are utilized. In addition, quarterly progress reports, financial status reports and an annual program profile are also analyzed and served as monitoring tools.

Mr. Dwyer: **Private sector funds have been an important source of support for OAVP programs. How do private organizations monitor the use of their funds? Do they rely on federal and state government to insure that their funds are spent properly?**

Ms. Kenny: Private organizations employ a variety of mechanisms to monitor use of their funds. United Ways and similar organizations have rigid programmatic and fiscal reporting requirements. Many foundations and other grant making organizations also require various reports. Some organizations may rely on other entities, including federal, state and local governments, to assist in monitoring proper expenditure of their funds.

FOSTER GRANDPARENT PROGRAM AND AIDS

Mr. Dwyer: **The Foster Grandparents program seeks to pair supportive Older Americans with children of exceptional and special needs. Are participants in the Foster Grandparents program working with Pediatric AIDS sufferers?**

Ms. Kenny The Foster Grandparent Program currently serves children with chronic or debilitating illnesses which includes assignment with boarder babies, of whom many are AIDS victims.

Mr. Dwyer: **What kinds of training and technical assistance are provided by ACTION to volunteers in the Foster Grandparents program to help them address the special physical, mental, social, and emotional needs of HIV-positive children or children who were born addicted to illegal drugs?**

Ms. Kenny Training for Foster Grandparent volunteers is developed and delivered through local program grantees. Such training is mandated by program policy which requires 40 hours of pre-service orientation, and four hours of in-service training each month. Local grantees design training to address both the needs of the volunteers and those of the children served. When needed to address special situations, like those involving children with HIV and drug abuse problems, local sources of information and expertise are tapped to enhance the delivery of volunteer services in those areas. For example in New York City, Foster Grandparents are given infection control training by a hospital specialist. A public health educator is also used to given presentation on AIDS and to respond to volunteer questions regarding the disease.

Mr. Dwyer: **It is estimated that 10% of all the AIDS patients in this country are over the age of 50. Are volunteers with the Senior Companion Program being trained to assist older AIDS sufferers who are at risk of institutionalization?**

Ms. Kenny: As part of the 40 hour pre-service instruction required of all Companions, most projects include training on techniques to assist the terminally ill. Projects with AIDS patients as clients have AIDS specific pre-service and in-service training as well.

SENIOR COMPANION PROGRAM AND CARE FOR ELDERLY

Mr. Dwyer: **The National Institute on Aging recently released some startling statistics on the prevalence of Alzheimer's Disease. Is ACTION working with the NIA to determine effective training for Senior Companion volunteers who are paired with sufferers of Alzheimer's Disease?**

Ms. Kenny: ACTION and the National Institute on Aging are members of the Ad Hoc Inter-Agency Committee for Research on Aging, coordinated by the National Institutes on Health. Member organizations share information on long term care activity. There are plans to develop an Alzheimers specific sub-committee which would provide ACTION with the opportunity to share its experience with recruiting and training Senior Companions who serve in respite care in-home assignments. In addition, ACTION plans to send NIA a copy of its soon to be published Alzheimer's Care Program Guide for In-Home Respite Care developed through a grant with the Alzheimer's Disease and Related Disorder's Association.

Mr. Dwyer: **Many adult children provide custodial care for aged and ailing parents. Do you believe that the Senior Companion program could assist these families by providing respite care?**

Ms. Kenny: Approximately 21% of ACTION's Senior Companions provide respite care services to family care givers. Most assignments are directed to care givers who are the spouses of physically and emotionally disabled persons. An undetermined number of beneficiaries are adult children on whom the primary care-giving responsibility rests. ACTION has developed case studies on the benefit of Senior Companions respite care to the children of Alzheimers victims who choose to provide in-home elder care services.

1991 FUNDING OF OAVP

Mr. Dwyer: Why have you not requested funding for any new grants for fiscal year 1991?

Ms. Kenny: As noted in the testimony, the Agency's overall budget request represents a substantial increase, $16.4 million, or 9.5%, above prior year amounts. Within these totals, priority was given to legislative mandates in the Domestic Volunteer Service Act Amendments of 1989, additional items strongly recommended within that legislation, certain mandatory cost increases, and program initiatives related to literacy and student community service.

Within the Older American Volunteer programs, ACTION believes that the greatest priority is to provide for the $0.15 per hour stipend increase for low income volunteers. The stipend was last increased in 1983. Further, the authority to provide the increase from $2.20 to $2.35 per hour was specifically provided for in the Domestic Volunteer Service Act Amendments of 1989.

Finally, a number of new Older American projects were added at the end of FY 1988 and in the first quarter of FY 1989. These projects have been operating less than two years, and the majority are not operating at their fully authorized levels. We believe it prudent policy to have existing projects operating at capacity prior to initiating new projects.

FUNDING REQUEST

I have several concerns about the priorities of your funding request.

Mr. Weber: **I notice from reading your budget that there is a considerable shift in emphasis away from Older American Programs towards Volunteers in Service to America (VISTA). What is your justification for this?**

Ms. Kenny: We have not shifted emphasis within our budget. Fully 63% of the total budget, and 74% of the program budget, is earmarked for Older American Volunteer programs. It is true that the largest increase, $10.4 million of a total increase of $16.8 million, is in the VISTA activity. This reflects a number of legislative mandates in the Domestic Volunteer Service Act Amendments of 1989, including increases in stipends, subsistence allowances, amounts for recruitment and placement, and volunteer service years floors. Other items funded within the VISTA activity are the Literacy Corps, where we are proposing a major expansion as part of the President's Initiative on Literacy, as well as Student Community Service.

Within the Older American Volunteer programs, we have provided for additional monies ($3.0 million on a comparable basis) primarily to provide for the stipend increase authorized in the Domestic Volunteer Service Act Amendments of 1989.

Mr. Weber: **Its disappointing to see that your request for the RSVP program is frozen at current levels while your request for some VISTA programs has gone up almost 100%. The same is true for the Foster Grandparent Program and the Senior Companion Program. Given that our elderly population is growing while the number of young people seems to be leveling off, this doesn't seem quite right, especially considering that these programs are not being operated at their full level at the current time anyway.**

What would be your reaction to bringing these levels closer in line?

Ms. Kenny: It's important, I believe, that the ACTION budget request be kept in perspective. The overall increase is 9.5%. That is, in my judgment, a significant increase above the prior year, particularly given the size of our Federal deficit and the average spending growth of about 4% across the entire Federal budget.

With respect to the allocation of that increase, it is true that the VISTA program has received a significant percentage increase. The 1989 Amendments to the Domestic Volunteer Service Act mandate a number of changes requiring that significant percentage increase, including: a service year floor of 3,000; a stipend increase from $75 to $90 per month; and 1.5% of available sums for recruitment and promotion. In addition, health costs for volunteers have increased by 45% over the last two years, and it is important that we expand the amount of pre-service training for volunteers. These requirements fully justify the percentage increase for the VISTA program.

I would also note that a significant percentage of our VISTA volunteers are in fact older Americans; approximately 21% are 55 and older. Further, the clients we serve under VISTA are frequently Older Americans themselves. As of December 31, 1989, 271 VISTA Volunteers were serving on 71 senior citizen projects.

Within the VISTA activity, we are also funding the Literacy Corps and the Student Community Service Program. As I've indicated earlier in the testimony, these two areas represent critical initiatives for the Agency. Literacy Corps is part of the White House Initiative on Literacy, and the Student Community Service Program is ACTION's only program specifically directed at students.

With respect to the Older American Volunteer Programs, as I indicated in an earlier question, the highest priority item is to provide for an increase in the stipend for low-income volunteers, and we have provided for that increase in our budget request. Further, we've added new projects in Fiscal Years 1988 and 1989, and it is my judgment that these projects should be fully operating prior to expanding further to new projects.

I fully agree with your statements about the importance of ACTION's Older American Volunteer Programs, particularly given the growing elderly population. For these reasons, we have a number of initiatives that I have talked about in this hearing, such as the joint effort with the Administration on Aging. We are committed fully to continuing and strengthening these programs.

You are correct in pointing out that the request for the Older American Programs is less than the authorized levels. It is also true, however, that we have requested less than the authorized amounts for all of ACTION's activities in Fiscal Year 1991.

In summary, for Fiscal Year 1991 I believe that our request represents an appropriate balance among the competing demands to meet the mandates of the Domestic Volunteer Service Act Amendments of 1989, to operate within the overall budget provided for ACTION, and to fulfill our obligations for ACTION's several programs. Hence, I cannot agree with any recommendation to alter the resources we've proposed for ACTION's programs at this time.

Mr. Weber: **Does your budget reflect a lack of support for the RSVP program? If not, what is being done to improve the program?**

Ms. Kenny: The Agency's total 1991 budget request reflects our best efforts to implement a variety of recently enacted legislative requirements within the context of a larger fiscal reality of deficit reduction goals. Within this context, the RSVP request should not be viewed as a symbol of lack of support. This Program remains an integral part of the Agency's central theme of service to others. In fact, the total number of RSVP volunteers are estimated to increase by 2,000 in 1991.

In 1990, improvements include an increase of $415,000 to local projects on a permanent basis for increases in administrative costs. In addition, approximately 42 grants totalling $215,000 will fund Programs of National Significance to expand volunteer participation in eleven program areas. These efforts will be continued at similar levels in 1991. Public Affairs support and training for local projects is also being provided.

When reviewing the Agency's current request, it should be noted that while the Agency's total budget has gone from $153 million to $192 million during the past 10 years, an increase of 25%, the OAVP budget went from $89 million to $120 million, an increase of 35%.

Mr. Weber: It also seems strange that while drugs are a growing issue, you are also cutting money for the Drug Alliance. What is your justification for making this the only program you actually propose to cut?

Ms. Kenny: ACTION supports substance abuse initiatives through a number of programs, including VISTA, Older American Volunteer Programs, and Drug Alliance and Supplemental Drug Program grants. In the aggregate, across the Agency we plan to spend approximately $9.6 million in Fiscal Year 1991, an increase of $400,000, or 4.3%, above 1990 levels for drug abuse activities.

Within these increased totals, Part C funds under Title I are proposed exclusively for drug related activities. Under Part C, we plan to spend $2,245,000 in Fiscal Year 1991, a slight decrease from the $2,645,000 available in Fiscal Year 1990, as supplemental Drug Abuse Prevention program monies were available to the Agency in Fiscal Year 1990.

We are conducting two evaluations (under RSVP and our Part C, Volunteers of America grant) that should provide valuable information on how to expand voluntarism in the area of substance abuse.

Mr. Weber: **I also notice that you are proposing an 11% increase for program administration, and that most of that increase is intended for staff travel and monitoring of programs. Could you explain your justification for this?**

Ms. Kenny: It is not true that most of the increase is for staff travel and monitoring of programs. Of the total increase of $2,961,000 for program administration, only $179,000 is for staff travel. This travel increase will support the costs of ACTION staff to conduct enhanced training of VISTA volunteers, as well as additional project monitoring. I would note, moreover, that the travel costs vary considerably depending upon the nature of the state. Last year, for example, in Minnesota, the average cost per site visit was $108, while in New Jersey it was $48. The additional travel monies we are requesting will support the project monitoring goal of visiting each project every year while recognizing these differences.

The overall increase for program administration is intended primarily to support a number of important initiatives, including carrying out the recruitment effort mandated by the Domestic Volunteer Service Act Amendments of 1989, staffing the Agency at a level previously recognized as critical for effective operations, covering certain costs increases, and providing minor amounts for the modernization of our operations.

A major part of the increase in program administration will support 13 additional positions for recruitment and placement activities under VISTA. This is a direct response to the 1989 Amendments to the Domestic Volunteer Service Act, and is critical if we are to meet the program expansion in VISTA and Literacy Corps requested elsewhere in our budget.

In addition, we are seeking to fill a number of critical positions, primarily in our state and regional offices, that remain vacant because of the lack of funds. Two of these positions are in the Minnesota state office. In the past, our appropriations committees approved a staffing level of 448 for the Agency. We anticipate that our FY 90 budget will allow us to fill only approximately 430 FTE. Our budget will enable us to reach the authorized ceiling plus add the VISTA recruitment effort.

Our budget will support a number of mandatory cost increases, including salaries and benefits, telecommunications, equipment and supplies, and rent. Also, given the fact that over 25% of our employee population will be eligible for retirement within the next 5 years, we need to launch an aggressive recruitment and training program very soon, if we are to meet the program delivery and management challenges facing this Agency in the 90's and beyond. Coupled with this effort, in order to maximize our relatively modest resources, we need to automate ACTION support services to the maximum extent possible. This requires the introduction and/or upgrade of computers throughout the Agency.

Finally, our request will support certain computer equipment to maximize efficiency of operations, and will enable us to replace our outmoded VISTA payroll/personnel system with a modern, effective system that meets the needs of volunteers and our state and field offices.

JUSTIFICATION OF THE BUDGET ESTIMATES

FISCAL YEAR 1991 BUDGET ESTIMATE

SUBMISSION TO THE CONGRESS
JANUARY 1990

OFFICE OF THE DIRECTOR
WASHINGTON, DC 20525

February 2, 1990

The Honorable William H. Natcher
Chairman, Subcommittee on Labor, Health and
Human Services, and Education
Committee on Appropriations
United States House of Representatives
Washington, D. C. 20515

Dear Mr. Chairman:

I am submitting herewith the justification for the FY 1991 funding request for ACTION's program and administration activities, totaling $192,424,000. These resources will be devoted to fulfilling the Agency's mission of fostering and expanding voluntary citizen service; developing and sustaining standards of excellence in ACTION's programs; and encouraging public/private sector partnerships. ACTION will seek to utilize to the fullest advantage the energy, innovative spirit, experience, and skills of all Americans to serve local communities and the nation by addressing current and emerging needs, particularly those of the poor and elderly, through the application of volunteer service. The Agency will continue to promote the increased involvement of the private sector in volunteer activities and to supplement the Agency's programs with resources from non-Federal sources.

This appropriation request is $16,759,000 more than the level at which the Agency is operating during FY 1990. The major increase is in the Volunteers in Service to America (VISTA) Program where the growth in volunteer support is attributable to the increase in volunteer service years as well as to full implementation of the Domestic Volunteer Service Act Amendments of 1989. It will also provide for an increase in the subsistence allowance which will enable the VISTA Volunteers to live at the economic level of the low-income people they serve.

The budget request for ACTION doubles the funding for the VISTA Literacy Corps, and provides increases above FY 1990 in funds for the Student Community Service Program and the ACTION Drug Alliance. The drug abuse prevention efforts funded by the Department of Transportation and Related Agencies Appropriations Act of 1990 will be absorbed under ACTION's regular drug abuse prevention programs.

In keeping with the Administration's commitment to eliminate the use of illegal drugs, ACTION is devoting maximum resources to support the efforts of volunteers combating drug abuse in local communities. Each of the Agency's programs will use a portion of its resources for drug abuse prevention and education, and the ACTION Drug Alliance will obligate $2,245,000 for local use in pursuit of the goal of a drug-free America. Much of the effort in support of drug abuse prevention and education will be devoted to expanding the role of the private sector in funding local volunteer efforts, particularly those which form part of a comprehensive, coordinated community substance abuse strategy.

Fiscal year 1991 is the first year for which the Agency is requesting a separate allocation for the Office of the Inspector General. These funds will be used to develop stronger expertise in performing operational audits, particularly on Agency systems and internal controls.

With the resources requested in the enclosed submission, over 487,000 Americans will have the opportunity to serve in a wide variety of settings, making significant contributions to community organizations and providing personalized assistance to neighbors in need. As in prior years, when non-Federal funding has equalled more than half of that provided by ACTION for Older American Volunteer Programs, ACTION will be able to expand the very popular Older American Volunteer Programs (OAVP) through the resources provided by local communities themselves. OAVP provides opportunities for senior citizens to contribute toward meeting local community needs, especially in intergenerational programs in the areas of drug abuse prevention and education and service to at-risk persons of all ages. In FY 1991, Foster Grandparent and Senior Companion volunteers will receive an increase in their stipends from $2.20 to $2.35 per hour. Through the Volunteers in Service to America (VISTA) Program, efforts to alleviate poverty in the United States will be supplemented by enabling people from all walks of life to perform meaningful and constructive volunteer service. ACTION's Student Community Service projects encourage student involvement in community service, thereby benefitting both the low-income communities whom they serve and the students themselves. All of the resources requested for the Special Volunteer Programs will support and expand the use of volunteers in resolving the problems of drug abuse.

To accomplish these objectives, we have requested $2,961,000 over the FY 1990 allocation for Program Administration for the minimum level of personnel needed to provide necessary oversight and technical assistance to sponsors, projects, and volunteers. A portion of the increase will support enhanced recruitment activities for VISTA Volunteers. Continuing management initiatives, such as quarterly reviews of program and resource management and assessments of field operations by teams of management and technical staff, will improve cost-effectiveness and increase operational efficiency.

I am convinced that the ACTION approach of fostering voluntarism as an effective means to achieve self-help and self-reliance is vitally important in helping private citizens and local communities meet basic human needs associated with the poor and the elderly. The details of this request and comparisons with current year levels are included in the narrative sections and supporting materials of this document. If you have additional questions, please direct them to me or to our Comptroller.

Sincerely,

Jane A. Kenny

Jane A. Kenny
Director

OFFICE OF THE DIRECTOR
WASHINGTON, DC 20525

February 2, 1990

The Honorable Silvio O. Conte
Ranking Minority Member
Subcommittee on Labor, Health and
Human Services, and Education
Committee on Appropriations
United States House of Reprepresenatives
Washington, D. C. 20515

Dear Mr. Conte:

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Sincerely,

Jane A. Kenny

Jane A. Kenny
Director

MISSION

ACTION's mission is to stimulate and expand voluntary citizen participation through coordination of its efforts with public and private sector organizations and other governmental agencies. The Agency, through support of its established programs and encouragement of local volunteer efforts, challenges all Americans to use their energy, innovative spirit, experience and skills to the fullest advantage to address the current and emerging needs of communities and the Nation, particularly those related to the poor, the disadvantaged and the elderly.

GOALS

I. PROVIDE LEADERSHIP AS THE FEDERAL DOMESTIC VOLUNTEER AGENCY BY EXPANDING AND PROMOTING VOLUNTEERISM NATIONWIDE

Generate support for volunteerism by working closely with public and private sector organizations and other governmental agencies. Encourage and assist communities to address local concerns by expanding volunteerism through the fuller use of local financial and human resources. Increase the number of volunteers and expand the scope of ACTION programs.

II. DEVELOP AND SUSTAIN STANDARDS OF EXCELLENCE IN EXISTING PROGRAMS

Improve the administration and management of the Agency and its Older American, VISTA, and grant programs to achieve the effective and efficient delivery of volunteer services.

III. DEVELOP GREATER FINANCIAL SELF-SUFFICIENCY OF ACTION FUNDED PROGRAMS

Train and provide technical assistance to project staff on principles and methods to achieve self-sufficiency through activities designed to increase financial and technical support from non-Federal sources.

IV. DEVELOP, TEST, AND PROMOTE INNOVATIONS IN VOLUNTEERISM

Assist community organizations and state and local governments to develop and test innovative volunteer programs that are responsive to local needs and can be adapted by other communities.

V. ENHANCE SYSTEMS FOR VOLUNTEER RECRUITMENT, TRAINING, AND PLACEMENT

Increase the number of volunteers who possess essential technical knowledge and skills, and improve training and placement techniques to fully utilize the expertise of our volunteers.

VI. ENHANCE AND ENRICH THE QUALITY OF LIFE OF ACTION VOLUNTEERS

Provide ACTION volunteers with recognition, information of concern to them and assistance necessary for challenging and fulfilling volunteer service.

OPERATING EXPENSES, DOMESTIC PROGRAMS

TABLE OF CONTENTS

FISCAL YEAR 1991

LETTER OF TRANSMITTAL

INTRODUCTION 1

SUMMARY
- Appropriation Language 3
- General Statement 4
- Amounts Available for Obligation 6
- Obligational Authority by Activity 7
- Obligations by Object 8
- Summary and Explanation of Changes 9
- Authorizing Legislation 12
- Appropriation History 14
- Action on Congressional Recommendations 16
- Volunteer Summary Chart 22
- Report of Consultant Contracts 23
- Programmatic and Administrative Improvements 26

ACTIVITY 1: VOLUNTEERS IN SERVICE TO AMERICA (VISTA) 30
- Volunteers in Service to America 31
- Literacy Corps 34
- Student Community Service Program 37

ACTIVITY 2: SPECIAL VOLUNTEER PROGRAMS 39
- Citizen Participation Programs 40
- Volunteer Demonstration Programs 41
- ACTION Drug Alliance 42
- Supplemental Drug Abuse Prevention Program 44

ACTIVITY 3: OLDER AMERICAN VOLUNTEER PROGRAMS 46
- Retired Senior Volunteer Program 49
- Foster Grandparent Program 52
- Senior Companion Program 55

ACTIVITY 4: INSPECTOR GENERAL 58

ACTIVITY 5: PROGRAM ADMINISTRATION 61

INTRODUCTION

ACTION was established in 1971 as the Federal agency for volunteer service. The Agency's mission is to advocate, promote, and support the voluntary efforts of citizens and public and private organizations in solving vital problems confronting the poor, the disabled, the elderly, and youth with special needs. The volunteers in ACTION's programs represent the broad spectrum of American life.

The Director discharges management responsibilities through the Deputy Director and the Associate Directors for Domestic and Anti-Poverty Operations, Management and Budget, and Policy, Research, and Evaluation with the assistance of the Inspector General, the staff offices (Public Affairs, General Counsel, Legislative Affairs, and Equal Opportunity), and the Regional Directors. Day-to-day program activity is managed by grantees which are local community organizations.

In FY 1991, ACTION's program activities will include the Volunteers in Service to America (VISTA), VISTA Literacy Corps, Student Community Service Program, Older American Volunteer Programs, and the Special Volunteer Programs which focus on drug abuse prevention. These programs share a common goal of instituting volunteer service as an effective means of addressing important human and social problems.

The highlights of ACTION's FY 1991 plans and activities are as follows:

1. The Volunteers in Service to America Program will provide 3,000 service years directed toward helping low-income individuals achieve self-sufficiency by focusing efforts on the problems of hunger, homelessness, illiteracy, unemployment, drug and alcohol abuse, domestic violence and child abuse, and the needs of low-income seniors and the handicapped.

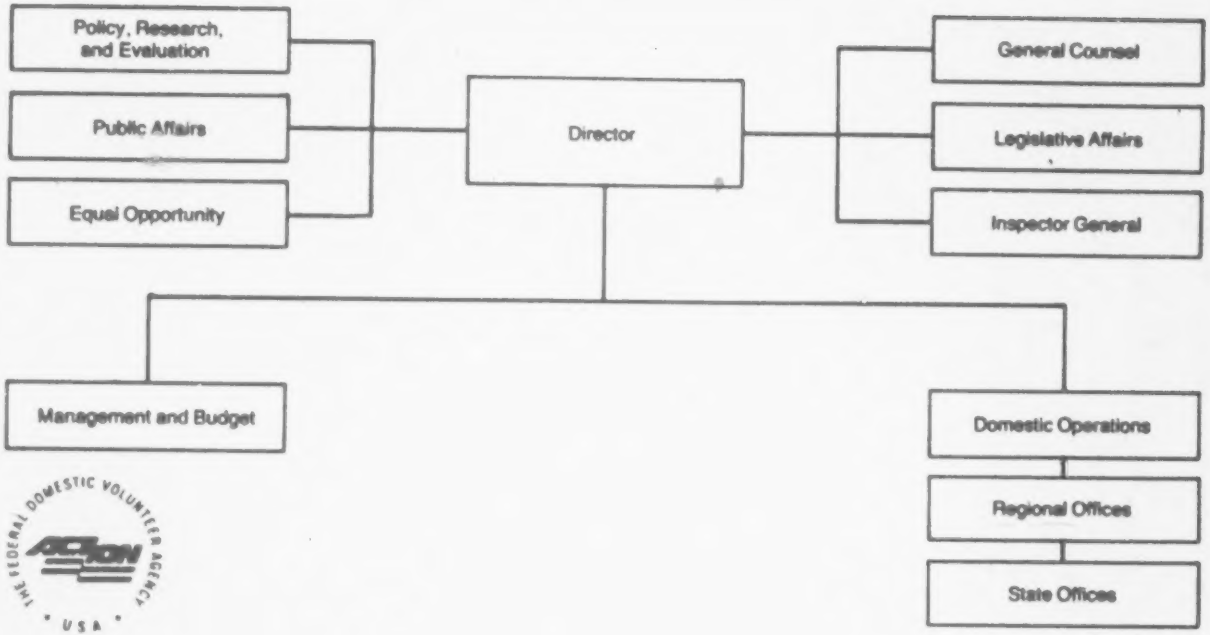
2. The VISTA Literacy Corps will provide 575 service years directed toward reducing the incidence of illiteracy throughout the United States.

3. The Student Community Service Program will award 114 grants to develop new and improved volunteer projects for students enrolled in secondary, post-secondary, and vocational schools.

4. The Special Volunteer Programs will award 45 grants focusing on drug abuse prevention.

5. Funding requested will enable the Older American Volunteer Programs to continue to use the skills and talents of citizens over age 60 to meet individual and community needs. The Retired Senior Volunteer Program will have an estimated 415,400 volunteers who serve in courts, schools, museums, libraries, hospices, hospitals, nursing homes, and a wide range of other public and private nonprofit organizations. The Foster Grandparent Program volunteer level will be nearly 26,900 and will continue the program's emphasis on service to children with special or exceptional needs, including high risk of drug abuse. Approximately 12,700 Senior Companion Program volunteers will be involved in long-term care programs and support systems for the frail and isolated elderly, including continued emphasis on in-home services.

ACTION Organization Chart



OPERATING EXPENSES, DOMESTIC PROGRAMS

FY 1991 APPROPRIATION LANGUAGE

For expenses necessary for ACTION to carry out the provisions of the Domestic Volunteer Service Act of 1973, as amended, [$176,642,000: Provided, That $30,750,000 shall be available for title I of the Act, of which $25,415,000 shall be available for purposes authorized under section 501(d)(1) of the Act] $192,424,000. (Departments of Labor, Health, and Human Services, and Education, and Related Agencies Appropriations Act, 1990.)

[For an additional amount of substance abuse prevention and education activities under part C of title I of the Domestic Volunteer Service Act of 1973, as amended, $1,500,000, of which not more than $150,000 may be used for administrative expenses.] (Department of Transportation and Related Agencies Appropriations Act, 1990.)

OPERATING EXPENSES, DOMESTIC PROGRAMS

GENERAL STATEMENT

The FY 1991 appropriation request of $192,424,000 for ACTION will enable the Agency to fulfill its responsibilities under the Domestic Volunteer Service Act of 1973, as amended.

ACTION's mission is to foster and expand voluntary citizen service, utilizing public and private sector resources and coordinating its efforts with other Federal agencies. Further, ACTION shall utilize to the fullest advantage the energy, innovative spirit, experience, and skills of all Americans to serve local communities and the nation by addressing current and emerging needs through the application of volunteer service.

In FY 1991, ACTION's program activities will include the Volunteers in Service to America (VISTA), VISTA Literacy Corps, Student Community Service Program, Special Volunteer Programs including the ACTION Drug Alliance, and Older American Volunteer Programs. Each of these has its specific purpose, but they share a common goal of mobilizing voluntary citizen service to address and ameliorate the fundamental and pressing problems of the nation's citizens, especially the disadvantaged.

In FY 1991, the Volunteers in Service to America (VISTA) program will continue to supplement efforts by local communities to alleviate poverty by enabling individuals from all segments of our society to perform meaningful and constructive volunteer service. Efforts will be directed toward alleviating the problems of hunger, homelessness, illiteracy, unemployment, drug and alcohol abuse, domestic violence and child abuse, and the needs of low-income seniors and the handicapped.

The VISTA Literacy Corps will continue to direct its efforts toward reducing the incidence of illiteracy throughout the United States.

The Student Community Service Program is ACTION's vehicle for encouraging student involvement in community service focused on the low-income community, thereby providing a two-way benefit: the community receives additional volunteer services which will likely continue as the student grows into adulthood, and the student gains a sense of civic pride and enhanced self-worth. Through Student Community Service project grants, the Agency provides funding in support of volunteer opportunities for students in community service activities under the aegis of public or private nonprofit organizations.

The ACTION Drug Alliance will develop new initiatives emphasizing the Administration's goals of illicit drug use prevention and education, and award grants focusing on illicit drug abuse prevention and distribute technical assistance materials.

The primary purpose of the Older American Volunteer Programs is to provide opportunities for older citizens to participate in volunteer service in their communities in health, education, welfare, and related settings. For FY 1991, Older American Volunteer Programs will continue to use the skills and talents

GENERAL STATEMENT - continued

of citizens over age 60 to meet community needs. The Foster Grandparent Program will focus on illicit drug abuse prevention and service to children with special or exceptional needs, including youthful offenders and abused or neglected children. The Senior Companion Program volunteers will emphasize service to other older persons with special needs, helping them to continue living independently and deferring, preventing, or reversing institutionalization and assisting them to avoid dependence on drugs and alcohol. The Retired Senior Volunteer Program will provide services in the areas of health, nutrition, community services, shelter and food programs for the homeless, child abuse and crime prevention, and skill training, while also continuing to move into activities emphasizing drug abuse prevention and education, increased literacy, and services to youth at risk.

Through all its programs ACTION will continue to encourage the increased participation of the private sector in volunteer activities, especially in supplementing Federal funding with private sector support. In calendar year 1988, over $66,000,000 in non-Federal funding was provided to ACTION's Older American Volunteer Programs, which represents a nine percent increase over the 1987 contribution. Thirty-four states have taken over the funding for State Offices of Voluntarism which were either initially funded by or begun with the technical assistance of ACTION. Student Community Service projects throughout the nation which were initially funded through ACTION grants are now operating independent of Federal funds.

ACTION seeks to continue and strengthen the efforts of citizen volunteers serving their communities and their nation. The Agency desires to provide effective support and direction to community-based projects and to do so in a cost-effective, productive, and efficient manner. It is the volunteers whose efforts justify the investment of public funds we are requesting, and it is ACTION's commitment to provide them with the necessary resources to succeed.

OPERATING EXPENSES, DOMESTIC PROGRAMS

AMOUNTS AVAILABLE FOR OBLIGATION

	FY 1989	FY 1990	FY 1991
Appropriation requested	[$165,991,000]	[$170,417,000]	$192,424,000
Appropriation (P.L. 100-436)	170,465,000	---	---
Urgent Supplemental Appropriations Act of 1989 (P.L. 100-393)	2,000,000	---	---
Reduction required to meet budget targets of FY 1988-89 agreement (P.L. 100-436, Sec. 517)	(2,045,000)	---	---
Appropriation (P.L. 101-166)	---	176,642,000	---
Department of Transportation and Related Agencies Appropriations Act, 1990 (P.L. 101-164)	---	1,500,000	---
Reduction required to meet Gramm-Rudman-Hollings deficit reduction targets (P.L. 99-177)	---	(2,477,000)	---
Reimbursements	502,000	1,048,000	---
Total available for obligation	$170,922,000	$176,713,000	$192,424,000

OPERATING EXPENSES, DOMESTIC PROGRAMS

OBLIGATIONAL AUTHORITY BY ACTIVITY

	FY 1989 Actual	FY 1990 Estimate	FY 1991 Estimate	Increase/ Decrease
Activity 1: Volunteers in Service to America (VISTA)	$ 25,731,000	$ 29,008,000	$ 39,384,000	+$10,376,000
A. (1) VISTA	21,589,000	25,062,000	31,569,000	+ 6,507,000
(2) Literacy Corps	2,792,000	3,053,000	6,050,000	+ 2,997,000
B. Student Community Service Program	1,350,000	893,000	1,765,000	+ 872,000
Activity 2: Special Volunteer Programs	$ 4,647,000	$ 2,645,000	$ 2,245,000	-$ 400,000
A. Citizen Participation	384,000	---	---	---
B. Volunteer Demonstration Programs	691,000	---	---	---
C. ACTION Drug Alliance	1,573,000	1,314,000	2,245,000	+ 931,000
D. Supplemental Drug Abuse Prevention Program	1,999,000	1,331,000	---	- 1,331,000
Activity 3: Older American Volunteer Programs	$114,888,000	$117,802,000	$120,523,000	+$ 2,721,000
A. Retired Senior Volunteer Program (RSVP)	30,857,000	31,487,000	31,519,000	+ 32,000
B. Foster Grandparent Program (FGP)	58,912,000	59,623,000	62,079,000	+ 2,456,000
C. Senior Companion Program (SCP)	25,119,000	26,692,000	26,925,000	+ 233,000
Activity 4: Inspector General	$ ---	$ ---	$ 1,101,000 [d/]	+$ 1,101,000
Activity 5: Program Administration	$ 26,961,000	$ 26,210,000 [b/]	$ 29,171,000	+$ 2,961,000
Appropriation	$170,227,000 [a/]	$175,665,000 [c/]	$192,424,000	+$16,759,000

a/ Actual obligations.

b/ Includes $148,000 for administrative costs associated with the funds provided for drug use prevention activities (see Activity 2.D.) in the Byrd Amendment to the Department of Transportation and Related Agencies appropriation (P.L. 101-164).

c/ Includes the effect of sequestration (-$2,477,000).

d/ This activity was formerly funded from Activity 3 (audits) and Activity 5 (other costs).

OPERATING EXPENSES, DOMESTIC PROGRAMS

OBLIGATIONS BY OBJECT a/

	FY 1989 Actual	FY 1990 Estimate	FY 1991 Estimate	Increase/ Decrease
Total number of permanent positions	460	460	480	+ 20
Compensable work years	429	435	464	+ 29
Personnel compensation:				
Permanent positions (FTP)	$ 16,285,000	$ 17,000,000	$ 18,413,000	+$ 1,413,000
Positions other than FTP	217,000	123,000	187,000	+ 64,000
Other personnel compensation	157,000	160,000	322,000	+ 162,000
Special personal services payments	17,159,000	20,820,000	26,737,000	+ 5,917,000
Total, personnel compensation	$ 33,818,000	$ 38,103,000	$ 45,659,000	+$ 7,556,000
Personnel benefits	3,175,000	3,586,000	4,162,000	+ 576,000
[FECA]	[493,000]	[685,000]	[746,000]	[+ 61,000]
Benefits for former personnel	19,000	15,000	15,000	---
Travel and transportation of persons	1,065,000	1,066,000	3,359,000	+ 2,293,000
[Staff]	[488,000]	[540,000]	[719,000]	[+ 179,000]
Transportation of things	61,000	40,000	135,000	+ 95,000
Rents, communications and utilities	4,042,000	3,995,000	5,015,000	+ 1,020,000
[Building rents]	[2,646,000]	[2,600,000]	[3,155,000]	[+ 555,000]
Printing and reproduction	276,000	275,000	317,000	+ 42,000
Other services	3,800,000	4,045,000	6,333,000	+ 2,288,000
Supplies and materials	362,000	249,000	541,000	+ 292,000
Equipment	---	---	---	---
Grants, subsidies and contributions	123,606,000	124,291,000	126,888,000	+ 2,597,000
Insurance claims and indemnities	3,000	---	---	---
Total, direct obligations	$170,227,000	$175,665,000	$192,424,000	+$ 16,759,000

a/ Items in brackets are non-add.

25-895 O—90—4

OPERATING EXPENSES, DOMESTIC PROGRAMS

SUMMARY OF CHANGES

FY 1990	Estimated obligations	$175,665,000
FY 1991	Request	$192,424,000
	Net change	+$ 16,759,000

	FY 1990 Estimate	FY 1991 Changes from FY 1990
VISTA	$ 25,062,000	+$ 6,507,000
Literacy Corps	3,053,000	+ 2,997,000
Student Community Service	893,000	+ 872,000
ACTION Drug Alliance	1,314,000	+ 931,000
Drug Abuse Programs funded by the Department of Transportation and Related Agencies Appropriations Act of 1990	1,331,000	- 1,331,000
Retired Senior Volunteer Program	31,487,000	+ 32,000
Foster Grandparent Program	59,623,000	+ 2,456,000
Senior Companion Program	26,692,000	+ 233,000
Inspector General	a/	+ 1,101,000
Program Administration	26,210,000 b/	+ 2,961,000
Total net change		+$ 16,759,000

a/ Formerly funded from Activity 3 (audits) and Activity 5 (other costs).
b/ Includes $148,000 from the Department of Transportation and Related Agencies Appropriations Act of 1990.

Explanation of Changes

VISTA ..... +$ 6,507,000

The major portion of the increase is in volunteer support, attributable to the increase in volunteer service years; increases in the subsistence allowance (to enable volunteers to live at the level of the low-income people they serve), the stipend, and the cost of health benefits; full implementation of the recruitment effort; and increased training for volunteers.

SUMMARY OF CHANGES - continued

Literacy Corps ..... +$ 2,997,000

The major portion of the increase is in volunteer support, attributable to the increase in volunteer service years; increases in the subsistence allowance, the stipend, and the cost of health benefits; full implementation of the recruitment effort; and increased training for volunteers.

Student Community Service..... +$ 872,000

The increase is requested to fund both continuing and new grants to encourage student participation in volunteer activities to meet the needs of local low-income communities.

ACTION Drug Alliance..... +$ 931,000

The increase is to maintain drug use prevention activities at approximately the FY 1990 level since no supplemental funding is anticipated.

Supplemental Drug Abuse Prevention Programming ..... -$ 1,331,000

Efforts funded through the Department of Transportation and Related Agencies Appropriations Act of 1990 will be subsumed under the ACTION Drug Alliance Program.

Retired Senior Volunteer Program..... +$ 32,000

The increase will permit a slight expansion in the number of volunteers.

Foster Grandparent Program..... +$ 2,456,000

Funds requested will permit implementation of a stipend increase for all volunteers.

Senior Companion Program..... +$ 233,000

Funds requested will permit implementation of a stipend increase for all volunteers.

Inspector General..... +$ 1,101,000

The funds requested implement the Inspector General Act Amendments of 1988, establishing an Office of the Inspector General for ACTION. Included are funds for both salaries and expenses of staff and costs of audits and investigations.

Program Administration ..... +$ 2,961,000

Changes by line item from the FY 1990 level for Program Administration are as follows:

SUMMARY OF CHANGES - continued

Personnel compensation ..... (+ 1,639,000)

The requested increase will permit an increase in staffing levels to that considered necessary to manage the Agency's programs effectively.

Personnel benefits ..... (+ 284,000)

The continuing increase in the number of employees participating in the Federal Employees' Retirement System (FERS) is reflected in higher costs, but is partially offset by a reduction in the payments due the Department of Labor for liabilities under the Federal Employees Compensation Act.

Benefits for former personnel..... (- 5,000)

A reduction in anticipated liabilities has reduced this line item.

Travel and transportation of staff ..... (+ 179,000)

Additional funds are requested to provide monitoring visits and technical assistance to projects, and to continue implementation of the Agency's Training and Development System (TADS).

Transportation of things..... (+ 2,000)

A slight increase is needed to fund necessary staff transfers.

Rents, communications, and utilities ..... (+ 682,000)

In addition to the increase of $555,000 in rental payments to GSA, cost increases are anticipated in telecommunications costs, as well as in postage and telephone services.

Printing and reproduction ..... (+ 2,000)

Additional printing funds are requested because of anticipated cost increases.

Other services ..... (+ 100,000)

Increases are anticipated in costs associated with the automated financial management and payroll/personnel systems, as well as mailing services, and photographic and other creative services.

Supplies and materials ..... (+ 78,000)

Continuation of the automation of all Agency offices will require purchase of microcomputers and associated supplies.

OPERATING EXPENSES, DOMESTIC PROGRAMS

AUTHORIZING LEGISLATION a/

Legislation	FY 1989 Authorized	FY 1989 Appropriated	FY 1990 Authorized	FY 1990 Appropriated	FY 1991 Authorized	FY 1991 Appropriation Requested
Domestic Volunteer Service Act of 1973, as amended (42 U.S.C. Sec. 4951 et. seq.)						
TITLE I - National Volunteer Anti-Poverty Programs	$ 37,840,000 b/	$ 30,832,000 c/ ($ 30,487,000)d/	$ 44,600,000 b/	$ 32,250,000 ($ 31,653,000)e/	$ 56,055,000 b/	$ 41,629,000
TITLE II - National Older American Volunteer Programs (OAVP)	[131,680,000]	[116,321,000] ([114,925,000])d/	[147,300,000]	[119,643,000] ([117,802,000])e/	[163,800,000]	[120,523,000]
Part A - Retired Senior Volunteer Program (RSVP)	34,610,000	31,237,000 (30,862,000)d/	39,900,000	31,931,000 (31,487,000)e/	43,900,000	31,519,000
Part B - Foster Grandparent Program (FGP)	64,900,000	59,644,000 (58,928,000)d/	70,800,000	60,464,000 (59,623,000)e/	80,900,000	62,079,000
Part C - Senior Companion Program (SCP)	32,170,000	25,440,000 (25,135,000)d/	36,600,000	27,068,000 (26,692,000)e/	39,000,000	26,925,000
TITLE IV - Administration and Coordination	25,312,000	25,312,000 (25,008,000)d/	37,380,000 f/	26,429,000 (26,210,000)e/	42,771,000 f/	30,272,000
Evaluation/Audit	[1,948,000]	[453,000]	[2,243,000]	[578,000]	[2,566,000]	[155,000]
TOTAL	$194,832,000	$172,465,000 ($170,420,000)d/	$229,280,000	$178,142,000 ($175,665,000)e/	$262,626,000	$192,424,000

a/ Items in brackets are non-add items.

b/ Includes $4,000,000, $5,000,000, and $5,000,000 for FY 1989, FY 1990, and FY 1991, respectively, authorized by the Anti-Drug Abuse Act of 1988, P.L. 100-690, added to Title I, Part C, of the Domestic Volunteer Service Act.

AUTHORIZING LEGISLATION - continued

c/ Includes $2,000,000 from the Urgent Supplemental Appropriations Act of 1989 (P.L. 100-393) for drug abuse prevention.

d/ Includes the effect of the reduction of 1.2 percent to meet budget targets of FY 1988-89 agreement (P.L. 100-436, Section 517).

e/ Includes the effect of the reduction of 1.4 percent to meet budget targets of FY 1990 sequestration (P.L. 99-177).

f/ Title IV, Administration and Coordination, is to be not more than 20 percent of the total program funds appropriated.

OPERATING EXPENSES, DOMESTIC PROGRAMS

APPROPRIATION HISTORY

Fiscal Year	Budget Estimate to Congress	House Allowance	Senate Allowance	Appropriation a/
1972	$ 392,000	$ 392,000	$ 392,000	$ 79,136,000 b/
1973	98,425,000	94,107,000	94,107,000	94,107,000
1974	93,298,000	89,323,000	92,399,000	91,760,000
1975	102,344,000	96,000,000	100,000,000	100,000,000
1976 and TQ	101,574,000	101,313,000	105,623,000	103,595,000
1977	93,902,000	108,200,000	108,200,000	109,110,000
1978	116,860,000	117,260,000	118,660,000	118,377,000
1979	130,986,000	118,377,000	118,377,000	119,175,000
1980	168,099,000	c/	c/	145,584,000 d/
1981	169,154,000	158,047,000	---	153,090,000 e/
1982	145,325,000	148,575,000	134,277,000	131,858,000 d/
1983	117,721,000	125,490,000	129,073,000	129,321,000 f/
1984	109,730,000	g/	140,061,000 h/	135,590,000 i/
1985	120,217,000	147,722,000	150,284,000	150,164,000
1986	147,550,000	150,164,000	152,164,000	144,782,000
1987	149,865,000	179,914,000	174,496,000	156,287,000 j/
1988	152,997,000	162,191,000	173,491,000	162,903,000 k/
1989	165,991,000	168,863,000	171,897,000	170,420,000 l/
1990	170,417,000	m/	181,092,000	175,665,000 n/
1991	192,424,000			

a/ Includes all enacted supplementals.

b/ ACTION was established in FY 1972. Funding for the domestic volunteer programs incorporated into ACTION was transferred from the Office of Economic Opportunity, the Department of Health, Education and Welfare, the Small Business Administration, and the Department of Housing and Urban Development. These transfers amounted to $78,744,000. In addition, $392,000 was directly appropriated to ACTION for the civilian pay increase effective January 9, 1972.

c/ Only Older American Volunteer Programs, totaling $83,317,000, were considered and appropriated. The remaining programs were not acted upon.

d/ Continuing resolution and supplemental appropriation.

e/ Final continuing resolution level.

f/ Reflects the terms of the Continuing Resolution (P.L. 97-377) effective through September 30, 1983.

g/ Deferred by the House because reauthorization law had not been enacted by the time the appropriations bill was brought up for consideration.

h/ Passed by the Senate; removed in conference because reauthorization law had not been enacted.

i/ Reflects the terms of the Continuing Resolution (P.L. 98-151) effective through September 30, 1984.

j/ Includes $2,000,000 for the Literacy Corps and $1,000,000 for ACTION's role under the Drug-Free America Act.

k/ Includes the effect of 4.26 percent reduction resulting from Congressional-Executive Office of the President agreement; also includes $2,872,000 for the Literacy Corps and $1,570,000 for ACTION's role under the Drug-Free America Act. Also includes the effect of $182,000 staff travel reduction required by Section 512 of P.L. 100-202.

l/ Includes the 1.2 percent reduction required to meet budget targets of FY 1988-89 agreement (P.L. 100-436, Sec. 517); also includes $2,000,000 for ACTION's role under the Urgent Supplemental Appropriations Act of 1989 (P.L. 100-393).

m/ Consideration of ACTION's appropriation request was deferred in the House pending passage of the Domestic Volunteer Service Act Amendments of 1989.

n/ Includes the 1.4 percent reduction required to meet budget targets of Gramm-Rudman-Hollings deficit reduction legislation (P.L. 99-177); also includes $1,500,000 for ACTION's drug abuse prevention program provided by the Department of Transportation and Related Agencies Appropriation Act (P.L. 101-164).

OPERATING EXPENSES, DOMESTIC PROGRAMS

ACTION ON CONGRESSIONAL RECOMMENDATIONS

Senate Report 101-127

VISTA

Recommendation

The Committee directs ACTION to continue to recruit, train, and place volunteers evenly throughout the fiscal year.

Action Taken

ACTION will continue to recruit, train, and place volunteers evenly throughout the fiscal year. In VISTA, due to the passage of the appropriations bill in November, the increase will occur in the second, third, and fourth quarters.

Recommendation

The Committee, again, wishes to highlight the importance of recruiting recent college graduates as VISTA volunteers.

Action Taken

ACTION will continue to improve efforts to recruit recent college graduates as VISTA volunteers. The Agency is now in the process of obtaining the services of a contractor that will: (1) conduct a survey of potential and existing volunteers; (2) develop a marketing plan or strategy targeted especially to raise public awareness of VISTA and recruitment within the college community; and (3) evaluate the effectiveness of the marketing plan.

Recommendation

The Committee expects ACTION to continue its efforts in publicizing the student loan deferment opportunities available to VISTA volunteers authorized under sections 428(b)(1)(M) and 464(c)(2)(A) of the Higher Education Act of 1965, as amended.

The Committee further expects that all recruitment materials and information provided to potential VISTA volunteers will publicize the availability of these loan deferment opportunities.

Action Taken

ACTION, as in the past, will continue to provide information to potential VISTA volunteers that makes them aware of loan deferment opportunities available under the Higher Education Act. All recruitment materials will include information concerning this benefit.

ACTION ON CONGRESSIONAL RECOMMENDATIONS - continued

VISTA LITERACY CORPS

Recommendation

The level of funding is intended to continue support for 335 volunteer service years in fiscal year 1990.

The Director shall continue to place section 109 volunteers throughout the fiscal year and, whenever possible, through standard VISTA placement procedures.

It continues to be the Committee's intention that VISTA Literacy Corps volunteers serve as mobilizers and catalysts in recruiting and training community volunteers and in providing public education and awareness of literacy programs, rather than serve as providers of one-on-one tutoring.

As in previous years, Literacy Corps funds for fiscal year 1990 shall be used to supplement and not supplant the average level of volunteer service years provided under Part A for literacy projects in FY 1989.

Action Taken

ACTION continues to: (1) place Literacy Corps volunteers, wherever possible, through standard placement procedures; (2) have volunteers serve in projects where they serve as mobilizers and catalysts in recruiting and training community volunteers; and (3) assure that VISTA projects under Part A continue their 1989 level of support for literacy in FY 1990.

With respect to the delivery of service years, as is noted elsewhere in the justification, ACTION anticipates funding 325 volunteer service years in FY 1990. The Committee's intent to fund 335 service years cannot be realized because of the requirement in the Domestic Volunteer Service Act Amendments of 1989 to evaluate the VISTA Literacy Corps in fiscal year 1990. This legislation passed subsequent to the passage of the appropriation for fiscal year 1990. In addition, the amount available for Literacy Corps was reduced under sequestration by $43,000.

STUDENT COMMUNITY SERVICE

Recommendation

The Committee has provided sufficient funding for a phase out of the Student Community Service Program. Funds provided should be sufficient to continue second- and third-year continuation awards for these 3-year grants but a new series of grants will not be made.

ACTION ON CONGRESSIONAL RECOMMENDATIONS - continued

Action Taken

ACTION's 1991 budget includes funds to continue the Student Community Service program because of its importance in involving a portion of the nation's youth in volunteer activities and for the additional reasons cited in this justification. In FY 1990 ACTION will use available resources, after funding continuation awards to second- and third-year grants, to support five one-time demonstration grants, with no continuation costs.

CITIZEN PARTICIPATION AND VOLUNTEER DEMONSTRATION PROGRAMS

Recommendation

The Committee intends that all available funds will be used to support ACTION drug alliance activities.

Action Taken

All available funds under these programs in FY 1990 will be used to support ACTION drug alliance activities.

OLDER AMERICAN VOLUNTEER PROGRAMS

FOSTER GRANDPARENT PROGRAM

Recommendation

The Committee expects that not less than one-half of the funds provided above the fiscal year 1989 comparable level shall be used to enhance the number of volunteers in current programs. The Director may use the remaining increased funds for new projects provided that all regions of the country are eligible to receive new projects. Should the Director find that the remaining level of increased funds is insufficient to initiate a sufficient number of projects, all of the increased funds shall be used to enhance the number of volunteers in current programs.

Action Taken

The 1989 Amendments to the Domestic Volunteer Service Act, which were enacted following passage of the appropriations bill, contain several requirements with respect to funding under Older American Programs, including: (1) the Director shall spend on programs of national significance at least one-third of the funds appropriated above the level necessary to maintain the number of projects and volunteers funded in the previous year; (2) not less than $250,000 must be spent on promotional activities; and (3) consideration must be given to the impact of inflation on the needs of projects' administrative costs.

ACTION ON CONGRESSIONAL RECOMMENDATIONS - continued

After complying with these statutory requirements, ACTION anticipates that it will spend at least one-half of the additional monies on existing projects. In total, ACTION anticipates an increase of 200 volunteers above 1989 levels. However, based upon the resources available after sequestration and the requirements in the Domestic Volunteer Service Act Amendments, ACTION does not anticipate that any additional projects will be funded in FY 1990.

SENIOR COMPANION PROGRAM

Recommendation

The Committee expects that not less than one-half of the funds provided above the fiscal year 1989 comparable level shall be used to enhance the number of volunteers in current programs. The Director may use the remaining increased funds for new projects provided that all regions of the country are eligible to receive new projects. Should the Director find that the remaining level of increased funds is insufficient to initiate a sufficient number of projects, all of the increased funds shall be used to enhance the number of volunteers in current programs.

Action Taken

The 1989 Amendments to the Domestic Volunteer Service Act, which were enacted following passage of the appropriations bill, contain several requirements with respect to funding under Older American Programs, including: (1) the Director shall spend on programs of national significance at least one-third of the funds appropriated above the level necessary to maintain the number of projects and volunteers funded in the previous year; (2) not less than $250,000 must be spent on promotional activities; and (3) consideration must be given to the impact of inflation on the needs of projects' administrative costs.

After complying with these statutory requirements, ACTION anticipates it will spend at least one-half of the additional monies available in FY 1990 on existing projects. In addition, ACTION anticipates entering into an agreement with the Administration on Aging whereby available resources in FY 1990 will be awarded to existing projects targeted at particular needs and requirements.

ACTION ON CONGRESSIONAL RECOMMENDATIONS - continued

RETIRED SENIOR VOLUNTEER PROGRAM

Recommendation

The Committee expects that not less than one-half of the funds provided above the fiscal year 1989 comparable level shall be used to enhance the number of volunteers in current programs. Given the relatively low cost associated with the initiation of new RSVP programs, the Committee expects the Director to initiate new programs with the remaining increased funds in all regions of the country.

Action Taken

The 1989 Amendments to the Domestic Volunteer Service Act, which were enacted following passage of the appropriations bill, contain several requirements with respect to funding under Older American Programs, including: (1) the Director shall spend on programs of national significance at least one-third of the funds appropriated above the level necessary to maintain the number of projects and volunteers funded in the previous year; (2) not less than $250,000 must be spent on promotional activities; and (3) consideration must be given to the impact of inflation on the needs of projects' administrative costs.

Based upon the resources available after sequestration and the requirements in the Domestic Volunteer Service Act Amendments, ACTION does not anticipate that any additional projects will be funded in FY 1990.

PROGRAM SUPPORT

Recommendation

The Committee expects the Director to continue to give the highest priority in allocating staffing resources to vacancies in the State and regional offices.

Action Taken

The Director will continue to give priority in allocating staffing resources to vacancies in the State and regional offices. During the period from October, 1988 through December, 1989, the number of filled permanent positions in headquarters declined by 13 (7 percent), while the number of filled permanent positions in regional and state offices increased by 17 (7 percent).

CONGRESSIONAL RECOMMENDATIONS - continued

Recommendation

The Committee further expects ACTION to devote travel expenditures to the greatest degree possible toward program site visits.

Action Taken

ACTION will continue to devote travel expenditures to program site visits. In fiscal year 1989, over 70 percent of ACTION's projects received monitoring site visits.

OPERATING EXPENSES, DOMESTIC PROGRAMS

VOLUNTEER SERVICE YEARS FUNDED a/

	FY 1989 Actual	FY 1990 Estimate	FY 1991 Estimate
Stipended Volunteer Programs:			
Volunteers in Service to America	2,615	2,800	3,000
Literacy Corps	335	325	575
Foster Grandparent Program	17,800	18,000 c/	18,000 c/
Senior Companion Program	7,300 b/	7,800 c/	7,800 c/
Total	28,050	28,925	29,375

TOTAL VOLUNTEERS d/

	FY 1989 Actual	FY 1990 Estimate	FY 1991 Estimate
Stipended Volunteer Programs:			
Volunteers in Service to America	3,558	3,794	4,065
Literacy Corps	457	440	779
Foster Grandparent Program	26,400	26,800	26,900
Senior Companion Program	11,800	12,600	12,700
Non-Stipended Volunteer Programs:			
Student Community Service Program	26,000	21,000	22,600
Retired Senior Volunteer Program	411,165	418,452	420,456
Total	479,380	483,086	487,500

a/ These figures represent Federally-funded volunteer service years only.
b/ Annualized level; excludes one-time funding to extend certain grants.
c/ Adjusted for comparability with FY 1989; includes annual amount of challenge grants funded in FY 1990.
d/ These figures represent the total number of both Federally and non-Federally-funded volunteers participating in the program during the fiscal year.

OPERATING EXPENSES, DOMESTIC PROGRAMS

REPORT OF CONSULTANT CONTRACTS IN EXCESS OF $25,000 a/

FY 1989 through FY 1991

Contract Purpose or Activity	Contractor's Name	Contract Amount and Estimated Completion Date	FY 1989 Actual	FY 1990 Estimate	FY 1991 Estimate
OAVP Family Caregivers Evaluation	Sociometrics, Inc. Presidential Building 6525 Belcrest Road Hyattsville, MD 20782	$ 228,154 February 10, 1989	$ ---	$ ---	$ ---
Drug Alliance Education and Prevention Goal Accomplishment Evaluation	Research and Evaluation Associates, Inc. 1030 15th Street, N.W. Suite 750 Washington, D.C. 20014	$ 71,194 August 1, 1989	$ 70,000	$ ---	$ ---
Student Community Service Program Goal Accomplishment and Perceived Impact Evaluation	Enterprises for New Directions, Inc. 7315 Wisconsin Avenue, N.W. Suite 1125N Washington, D.C. 20014	$ 155,100 October 16, 1989	$ 155,100	$ ---	$ ---
RSVP Alcohol and Drug Abuse Activities Evaluation	To be determined	$ 149,000 June 30, 1991	$ ---	$ 145,000	$ 4,000
Neighborhood Based Drug Prevention Evaluation	Pacific Institute 7101 Wisconsin Avenue Bethesda, MD 20814	$ 266,031 February 25, 1992	$ ---	$ 266,031	$ ---
VISTA Literacy Corps Evaluation	To be determined	$ 180,000 To be determined	$ ---	$ 180,000	$ ---

a/ Includes all audit contracts regardless of amount as well as evaluation contracts.

REPORT OF CONSULTANT CONTRACTS IN EXCESS OF $25,000 (Continued)

FY 1989 through FY 1991

Contract Purpose or Activity	Contractor's Name	Contract Amount and Estimated Completion Date	FY 1989 Actual	FY 1990 Estimate	FY 1991 Estimate
VISTA Evaluation	To be determined	$ 40,000 To be determined	$ ---	$ ---	$ 40,000
Senior Companion Program Evaluation	To be determined	$ 50,000 To be determined	$ ---	$ ---	$ 50,000
Foster Grandparent Program Evaluation	To be determined	$ 60,000 To be determined	$ ---	$ ---	$ 60,000
Marketing Survey Management Plan for VISTA/Literacy Corps Programs	To be determined	$ 110,000 To be determined	$ ---	$ 110,000	$ ---
Financial Audit of OAVP Projects Region I	Daniel Dennis & Co. 100 Huntington Avenue Suite 37 Boston, MA 02116	$ 15,345 January 31, 1990	$ 15,345	b/	b/
Financial Audit of OAVP Projects Region II		None contracted in FY 1989	$ ---	b/	b/
Financial Audit of OAVP Projects Region III	Terry, Johnson & Co., Inc. 3 Gateway Center Pittsburgh, PA 15146	$ 38,531 January 31, 1990	$ 38,531	b/	b/

b/ Current plans provide approximately $260,000 in FY 1990 for audits with CPA firms in all nine regions to perform audits of OAVP projects; in FY 1991, the amount will be approximately $220,000. The assumption is that most of these contracts will be in excess of $25,000 and many of them will be with CPA firms currently under contract with ACTION.

REPORT OF CONSULTANT CONTRACTS IN EXCESS OF $25,000 (Continued)

FY 1989 through FY 1991

Contract Purpose or Activity	Contractor's Name	Contract Amount and Estimated Completion Date	FY 1989 Actual	FY 1990 Estimate	FY 1991 Estimate
Financial Audit of OAVP Projects Region IV	Grau & Company, CPA 21 S.E. 1st Avenue Miami, FL 33131	$ 36,494 January 31, 1990	$ 36,494	b/	b/
Financial Audit of OAVP Projects Region V	Hill, Taylor & Co., CPA 116 South Michigan Avenue Chicago, IL 60603	$ 9,933 January 31, 1990	$ 9,933	b/	b/
and	Patricia A. Foxx & Co. 700 Goodall Complex 324 West 9th Street Cincinnati, OH 45202	$ 23,712 January 31, 1990	$ 23,712	b/	b/
Financial Audit of OAVP Projects Region VI	Alphonson Solomon & Co. 5787 South Hampton Road Dallas, TX 75232	$ 24,078 January 31, 1990	$ 24,078	b/	b/
Financial Audit of OAVP Projects Region VIII	Milton M. Trujillo & Associates 3606 Morris Avenue Pueblo, CO 81008	$ 12,900 January 31, 1990	$ 12,900	b/	b/
Financial Audit of OAVP Projects Region IX	Williams, Adley & Co. 1330 Broadway, Suite 833 Oakland, CA 94612	$ 20,222 January 31, 1990	$ 20,222	b/	b/
Financial Audit of OAVP Projects Region X	Branch, Richards, Anderson & Co. 216 First Avenue, South Seattle, WA 98104	$ 10,764 January 31, 1990	$ 10,764	b/	b/
			$ 417,079	$ 961,031 c/	$ 374,000 c/

c/ Totals for FY 1990 and FY 1991 include estimates of $260,000 and $220,000, respectively, for audits.

PROGRAMMATIC AND ADMINISTRATIVE IMPROVEMENTS

Programmatic improvements grow out of the Agency's stated goals to "develop and sustain standards of excellence in existing programs", "enhance systems for volunteer recruitment, training, and placement", and "enhance and enrich the quality of life of ACTION volunteers." The goal of improvements in administrative and financial support activities is to increase the effectiveness, efficiency, and timeliness with which services are delivered to programs and offices.

Programmatic and administrative accomplishments in FY 1989 included:

o Program Activities

1. VISTA recruitment and public awareness expenditures included the development of a new VISTA brochure and poster marking the program's 25th anniversary designed to appeal to younger people.

2. A new Student Community Service (SCS) digest, Learning to Care, was developed describing the volunteer activities in SCS projects.

3. OAVP Handbooks provided to sponsors were revised to reflect current statutory requirements as well as Agency policies and procedures. These Handbooks, which were last revised in 1983, were distributed to 1,700 ACTION sponsors as well as to Agency field staff.

4. Twelve new Foster Grandparent Program projects and seven new Retired Senior Volunteer projects were awarded to areas not previously served.

5. A demonstration grant was awarded to the American Foundation for the Blind to facilitate the visually-handicapped serving as Senior Companion volunteers.

6. In partnership with the Volunteers of America, drug free neighborhood demonstration projects will be established in nine major cities across the country, emphasizing broad-based community involvement and the use of volunteers. A comprehensive evaluation of this major initiative will be initiated in FY 1990.

o Management and Administration

1. The Agency implemented automated electronic transfer of ACTION's Current Year Operating Plan (CYOP) planning and budget data between the field and headquarters.

2. ACTION relocated its headquarters, consolidating all Washington-based staff into one building, reducing space requirements by 16 percent and achieving annual savings in excess of $300,000. The move brings the Agency's headquarters into full compliance with applicable GSA requirements.

3. A statutory Office of Inspector General was created, in compliance with the Inspector General Act Amendments of 1988.

4. The Federal Managers Financial Integrity Act requirements were implemented.

PROGRAMMATIC AND ADMINISTRATIVE IMPROVEMENTS - continued

o Automation

1. The Agency implemented the Automated Grants Management System, which will provide grant information for control, planning, monitoring, and reporting. Additional components will be implemented in FY 1990.

2. Personal computers and software were installed in state and regional offices and staff were trained in their use.

o Inspector General

1. In-house auditors performed 58 grant audits, four systems surveys, four quality assessment reviews of contracted audit firms and three operational audits. Contracts were let for an additional 47 grant audits with eight minority-owned CPA firms through the Small Business Administration's 8(a) program. Seven investigations were conducted.

2. With limited travel funds, only one management review of a regional office was conducted. Improved internal management and liaison with headquarters resulted.

Planned accomplishments for FY 1990 include:

o Program Activities

1. In FY 1990, VISTA and VISTA Literacy Corps public awareness funds will be expended with special emphasis given to the recruitment of recent college graduates. VISTA will conclude the 25th Anniversary celebration with a White House event hosted by President and Mrs. Bush on January 31, 1990.

2. The Agency is now in the process of obtaining the services of a contractor that will: (1) conduct a survey of potential and existing volunteers; (2) develop a marketing plan or strategy targeted especially to raise public awareness of VISTA and recruitment within the college community; and (3) evaluate the effectiveness of the marketing plan.

3. The final phase of the evaluation of the Student Community Service Program Program begun in FY 1989 will be completed.

4. OAVP programs of national significance will be implemented which will increase the number of volunteers who are involved in programs that address national problems of local concern, including chronic illness, alcohol and drug abuse, teen pregnancy, needs of at-risk youth, illiteracy, respite care, before- and after-school activities, boarder babies, child care, the developmentally disabled, and the tutoring needs of disadvantaged children.

PROGRAMMATIC AND ADMINISTRATIVE IMPROVEMENTS - continued

5. Training will be provided to all project directors of ACTION-funded projects through nine Training and Development System (TADS) conferences. Current information on program policies and procedures, new program innovations, and technical assistance in response to project director needs assessments will be provided.

6. Public-private partnerships, especially in the Older American programs, will continue and expand, using the resources of professional organizatons and private corporations to augment and enhance the resources of ACTION-funded projects.

o Management and Administration

1. ACTION will conduct regional management reviews in three regions to provide on-site monitoring and/or technical assistance. In addition, performance in the area of project monitoring will be assessed nationwide.

2. Audit follow-up procedures and systems will be implemented to strengthen the Agency's overall compliance with applicable guidance and regulations.

3. The Agency will increase the training budget for employees by over 100 percent to upgrade overall staff capabilities; increase awards and provide other incentives to improve performance; and enhance field work stations through more efficient space planning.

4. A new VISTA payroll/personnel system will be developed, significantly increasing the ability of the Agency to support volunteers in a timely and accurate manner. The current system was implemented in the 1970's, and upgrading and enhancement of the system is a critical priority.

o Automation

1. A contract for Agency time-sharing services will be awarded which will consolidate all activities into a single time-sharing contractor.

2. ACTION will expand the use of personal computers and conduct security awareness training as required.

o Inspector General

1. The Inspector General will increase the number of operational audits both in the regions and in headquarters while maintaining the level of grant audits, systems surveys, and quality assessment reviews performed by in-house staff and the grant audits performed by the contracted CPA firms.

2. The Agency order on the Audit Resolution Status System and the Audit Guide will be revised to assure compliance with laws, regulations and OMB Circulars governing audit follow-up.

PROGRAMMATIC AND ADMINISTRATIVE IMPROVEMENTS - continued

Planned accomplishments in FY 1991 include:

o Program Activities

1. VISTA Volunteers will receive a 9.3 percent increase in their subsistence rate, which will enable them to live at the economic level of the low-income people whom they serve. In addition, the stipend accrued for payment at the end of service will be increased from $75 to $90 per month.

2. Increased VISTA recruitment and public awareness activities will be continued, with special emphasis given to the recruitment of recent college graduates.

3. Foster Grandparent and Senior Companion volunteers will receive a $0.15 increase in their hourly stipend, raising the stipend from $2.20 to $2.35 per hour in all ACTION-funded projects.

o Management and Administration

1. ACTION will conduct three management reviews of field operations.

2. In conjunction with the General Services Administration, the Agency will implement a new local telephone system.

3. The health contract providing coverage for VISTA Volunteers will be recompeted.

4. A long-range planning process will be developed within the Agency.

o Automation

1. The effort to modernize the VISTA payroll/personnel system for volunteers will be completed.

2. ACTION will assess the performance of automated systems with the goal of improving their overall efficiency and effectiveness.

3. The Agency will install additional personal computers as needed to meet the demand for office automation.

4. Implementation of the recompeted time sharing contract will be completed.

o Inspector General

The staff of the Office of the Inspector General will develop stronger expertise in performing operational audits, particularly on Agency systems and internal controls, thereby shifting the time spent by in-house auditors to internal rather than grant audits. Complex or very large grant audits, systems surveys, and quality assessment reviews will continue to be conducted by in-house auditors. The advantages and disadvantages of using the competitive process for contracting with CPA firms for grant audits will be studied.

Budget Activity 1

VOLUNTEERS IN SERVICE TO AMERICA

	FY 1989 Actual	FY 1990 Estimate	FY 1991 Estimate	Increase/ Decrease
A. (1) Volunteers in Service to America (VISTA)	$21,589,000	$25,062,000	$31,569,000	+$ 6,507,000
(2) Literacy Corps	2,792,000	3,053,000	6,050,000	+ 2,997,000
B. Student Community Service Program	1,350,600	893,000	1,765,000	+ 872,000
Total obligations	$25,731,000	$29,008,000	$39,384,000	+$10,376,000

General Statement

The Volunteers in Service to America (VISTA), VISTA Literacy Corps, and Student Community Service Program are authorized by Parts A and B of Title I of the Domestic Volunteer Service Act of 1973, as amended, which expires on September 30, 1993. The mission of the VISTA program is to supplement efforts to alleviate poverty in the United States by enabling people from all walks of life to perform meaningful and constructive volunteer service. Since the program's inception, approximately 100,000 VISTA Volunteers have aided in the solution of poverty-related problems, in part by generating a commitment of private sector resources and encouraging part-time volunteer service in the community to assist in the VISTA efforts.

The purpose of the VISTA Literacy Corps is to develop, strengthen, supplement, and expand the efforts of public and private nonprofit organizations at the local, state, and Federal levels to overcome the problems of illiteracy.

The purpose of the Student Community Service Program is to link the needs of the poor with students' interest in community service. The Student Community Service projects involve student volunteers in part-time, non-stipended activities designed to benefit low-income communities. These projects encourage students to undertake volunteer service in their communities in such a way as to enhance the educational value of the service experience through participation in activities which address poverty-related problems.

Budget Activity IA(1)

VOLUNTEERS IN SERVICE TO AMERICA (VISTA)

	FY 1989 Actual	FY 1990 Estimate	FY 1991 Estimate	Increase/ Decrease
Program Data:				
Volunteer service years	2,615	2,800	3,000	+ 200
Training entries	2,519	2,264	2,500	+ 236
Obligations:				
Grant-supported volunteers	$ 2,440,000	$ 1,594,000	$ 950,000	-$ 644,000
Volunteer support	17,838,000	21,707,000	27,897,000	+ 6,190,000
Project support	709,000	785,000	850,000	+ 65,000
Training and technical assistance	511,000	816,000	1,358,000	+ 542,000
Recruitment	91,000	160,000	474,000	+ 314,000
Evaluation	---	---	40,000	+ 40,000
Total obligations	$21,589,000	$25,062,000	$31,569,000	+$ 6,507,000

General Statement

VISTA Volunteers serve full time for one year, without regard to regular working hours, living at the same subsistence level as the low-income people they are serving. They are assigned to a variety of public and private nonprofit organizations throughout the nation. These organizations serve as VISTA project sponsors, directing the volunteers' activities and including the local community in the planning and operation of projects.

VISTA's primary objective -- helping low-income individuals achieve self-sufficiency -- remains the cornerstone of the program. VISTA creates working relationships among the sponsor, the community, and the private sector in order to enhance the long-term impact of VISTA projects. VISTA Volunteers assist the poor in establishing methods for meeting their most basic human needs -- methods which can be replicated by others confronted with similar problems. VISTA's programming efforts focus on the problems of hunger, homelessness, illiteracy, unemployment, drug and alcohol abuse, domestic violence and child abuse, and the needs of low-income seniors, the handicapped, migrant farm workers, and Native Americans.

All volunteers are recruited for the skills, experience, and commitment they bring to the project. Volunteers come from all walks of life, all geographical areas, all economic levels, and all age groups. Twenty-one percent of all volunteers are 55 years of age or older, and 21 percent are between the ages of 18 and 27. The average age of the volunteers is 36, and 11 percent of the volunteers are recent college graduates.

Budget Activity 1A(1): VOLUNTEERS IN SERVICE TO AMERICA (VISTA) - continued

Planned Accomplishments for FY 1990: During fiscal year 1990, VISTA will produce 2,800 volunteer service years on nearly 700 projects throughout the nation, with more than one-half of the program resources focused on the problems of hunger, homelessness, illiteracy, drug abuse, and unemployment. All VISTA projects will assist in institutionalizing the volunteers' activities through generation of private sector financial and material support and recruitment of part-time local volunteers. VISTA Volunteer and supervisory training will focus on skills development as well as on the concept of initiating and enhancing partnerships with the private sector. Volunteers will be recruited from all walks of life, age groups, economic levels, and geographic areas. In FY 1990, public awareness funding will be expended with special emphasis given to the recruitment of recent college graduates. VISTA will conclude its 25th anniversary celebration with an event hosted by President and Mrs. Bush at the White House.

Objectives for FY 1991: During FY 1991, VISTA will produce 3,000 volunteer service years on more than 700 projects focusing again on the functional areas highlighted in the program's authorizing legislation. These efforts will include distribution of food to the hungry, literacy training, job development and training programs for the unemployed, drug prevention education activities for low-income youth, and assistance in the development of shelters for the homeless, runaways, and low-income youth. VISTA Volunteers will receive more comprehensive training, primarily pre-service, in order to improve the services provided. In FY 1991, the design of the VISTA evaluation will begin. Increased recruitment and public awareness activities will focus primarily on recent college graduates.

Budget Justification

The total VISTA budget request for FY 1991 is $31,569,000, which is an increase of $6,507,000 above the FY 1990 level. The increase will provide for the support of 3,000 volunteer service years. It will also support a 9.3 percent increase in the subsistence allowance over the 1990 level, to achieve 105 percent of the poverty rate for a single individual. A total of $474,000 or 1.5 percent of the budget will be provided for recruitment and public awareness activities.

Grant-supported volunteers	$ 950,000

Volunteers supported by grants will generate 100 volunteer service years in FY 1991.

Volunteer support	$27,897,000

The FY 1991 request for volunteer support is $27,897,000, which will provide volunteers with a 9.3 percent increase in the average monthly subsistence allowance and includes an increase in the cost of VISTA Volunteer health benefits. Funds in this allocation will provide an increase in the stipend accrued for payment at the end of service from $75 to $90 per month. VISTA Volunteers are regarded as Federal employees for coverage by the Federal Tort Claims and Federal Employee Compensation Acts.

Budget Activity 1A(1): VOLUNTEERS IN SERVICE TO AMERICA (VISTA) - continued

Project support $ 850,000

The FY 1991 request for project support is $850,000, which will provide limited funding for volunteer supervision and job-related transportation. VISTA provides a share of these costs for local sponsoring organizations which could not otherwise afford to provide such support.

Training and technical assistance $ 1,358,000

Funds in this category cover volunteer allowances during training, facilities, supplies, materials, and travel and fees for training consultants. Funds will also be used to provide orientation to new VISTA supervisors. The increase in funds requested over the FY 1990 level will provide more comprehensive training.

Recruitment $ 474,000

To support recruitment and public awareness activities, funds in this category equal 1.5 percent of the total budget request. This increase will give special emphasis to recruitment of recent college graduates.

Evaluation $ 40,000

In FY 1991, $40,000 will be used to support the design of a VISTA program evaluation, to be conducted in FY 1992.

Budget Activity 1A(2)

LITERACY CORPS

	FY 1989 Actual	FY 1990 Estimate	FY 1991 Estimate	Increase/ Decrease
Program Data:				
Volunteer service years	335	325	575	+ 250
Training entries	337	295	460	+ 165
Obligations:				
Grant-supported volunteers	$ 470,000	$ ---	$ 950,000	+$ 950,000
Volunteer support	2,122,000	2,662,000	4,594,000	+ 1,932,000
Project support	119,000	103,000	166,000	+ 63,000
Training and technical assistance	52,000	105,000	249,000	+ 144,000
Recruitment	29,000	3,000	91,000	+ 88,000
Evaluation	---	180,000	---	- 180,000
Total obligations	$2,792,000	$3,053,000	$6,050,000	+$2,997,000

General Statement

The VISTA Literacy Corps is authorized under Title I, Part A, Section 109 of the Domestic Volunteer Service Act of 1973, as amended, which extends through September 30, 1993. The purpose of the VISTA Literacy Corps is to develop, strengthen, supplement, and expand the efforts of public and private nonprofit organizations at the local, state, and Federal levels to overcome the problems of illiteracy. VISTA Literacy Corps Volunteers play an integral role in mobilizing private sector support, financial, and volunteer resources in combating illiteracy throughout the country. In addition, VISTA Literacy Corps Volunteers encourage development of comprehensive statewide approaches for addressing the problem of illiteracy.

Budget Activity 1A(2): LITERACY CORPS - continued

Planned Accomplishments for FY 1990: During FY 1990, the VISTA Literacy Corps will produce approximately 325 volunteer service years on more than 70 projects throughout the country. Special emphasis will be placed on assigning volunteers to areas with the highest concentrations of illiteracy and of low-income individuals and families. Volunteers will attempt to mobilize private sector support and part-time volunteer resources in combating illiteracy in areas of greatest need. An evaluation of the VISTA Literacy Corps will be conducted in FY 1990.

Objectives for FY 1991: During FY 1991, the VISTA Literacy Corps will produce 575 volunteer service years on more than 130 projects to support literacy efforts across the United States.

Budget Justification

The total VISTA Literacy Corps budget request is $6,050,000 in FY 1991, an increase of $2,997,000 above the FY 1990 level. The increase will provide for the support of 575 volunteer service years in an effort to reduce the incidence of illiteracy. It will also support the same increases in volunteer support and training as are requested for VISTA.

Grant-supported volunteers $ 950,000

Volunteers supported by grants will generate 100 volunteer service years in FY 1991.

Volunteer support $ 4,594,000

The FY 1991 request for volunteer support is $4,594,000 which will provide volunteers with a 9.3 percent increase in the average subsistence allowance and will include an increase in the cost of volunteer health benefits. Funds in this allocation will provide an increase in the stipend accrued for payment at the end of service from $75 to $90 per month. Volunteers are regarded as Federal employees for coverage by the Federal Tort Claims and Federal Employee Compensation Act.

Project support $ 166,000

The FY 1991 request for project support is $166,000 which will provide limited funding for volunteer supervision and job-related transportation. It provides a share of these costs for local sponsoring organizations which could not otherwise afford to provide such support. The increase in funds over the FY 1990 level reflects increases in volunteer service years and projects.

Training and technical assistance $ 249,000

Funds in this category cover volunteer allowances during training, facilities, supplies, materials, and travel and fees for training consultants. Funds will also be used to provide orientation to new supervisors. The increase in funds requested over the FY 1990 level will provide more comprehensive training.

Budget Activity 1A(2): LITERACY CORPS - continued

Recruitment $ 91,000

To support recruitment and public awareness activities, funds in this category equal 1.5 percent of the total budget request. This will support the level of expenditure required by the legislation, with special emphasis given to recruitment of recent college graduates.

Evaluation $ ---

No funds are being requested for evaluation of the VISTA Literacy Corps in FY 1991.

Budget Activity 1B

STUDENT COMMUNITY SERVICE PROGRAM

	FY 1989 Actual	FY 1990 Estimate	FY 1991 Estimate	Increase/ Decrease
Program Data:				
Total volunteers	26,000	21,000	22,600	+ 1,600
Number of grants	121	82	114	+ 32
Continuing	86	77	35	- 42
New	35	5 a/	79	+ 74
Obligations:				
Grants	$1,195,000	$ 883,000	$1,765,000	+$882,000
Evaluation	155,000	10,000	---	- 10,000
Total obligations	$1,350,000	$ 893,000	$1,765,000	+$872,000

a/ One-time demonstration grants with no continuation costs.

General Statement

Today more than three-quarters of a million American high school and college students are involved in community service programs dealing with the problems of the poor, such as hunger, homelessness, illiteracy, and unemployment. They serve in a range of volunteer roles, such as companions to the elderly, counselors to their peers on drug prevention matters, organizers of home repair projects, and tutors in educational programs.

ACTION's Student Community Service projects are designed to support efforts linking the resources of student volunteers with those of the community in resolving human and social problems, emphasizing those that are poverty-related. ACTION's mission is to increase the number of student volunteer programs by providing information and technical advice to interested schools, community agencies, and nonprofit organizations, and by funding Student Community Service project grants. Through such grants, the Agency gives seed money to organizations that develop projects which involve secondary, vocational, and post-secondary student volunteers in part-time, non-stipended activities designed to benefit low-income communities. This strategy enables communities to reap immediate benefits from students who serve while in school, and long-term benefits as students leave school and continue to involve themselves in community affairs.

Budget Activity 1B: STUDENT COMMUNITY SERVICE PROGRAMS - continued

Planned Accomplishments in FY 1990: During FY 1990, Student Community Service (SCS) will fund about 77 second and third year project grants to establish or enhance student volunteer programs which focus on the needs of local low-income communities. In addition, SCS will award one-time demonstration grants to increase student volunteer efforts. ACTION will conclude an evaluation of the SCS Program second-year projects. The evaluation will analyze the impact of the program on both the low-income communities and the student volunteers.

Objectives for FY 1991: SCS will fund approximately 114 project grants. Students will undertake volunteer service in such a way as to enhance the educational value of the service experience, through participation in activities that strengthen and supplement efforts to eliminate and alleviate poverty and poverty-related problems.

Budget Justification

In FY 1991, ACTION is requesting $1,765,000 for its Student Community Service Program to support project grants to encourage student participation in volunteer activities to meet the needs of local low-income communities.

Grants	$1,765,000

ACTION will award approximately 114 grants to public agencies and private, nonprofit organizations to foster service-learning opportunities. Project grants are awarded for up to $20,000 for a 12-month period; second- or third-year reduced funding may be sought by grantees. The grantee is required to contribute a local share of at least $3,000 each year.

Evaluation	$ ---

No funds are being requested for evaluation of the Student Community Service Program in FY 1991.

Budget Activity 2

SPECIAL VOLUNTEER PROGRAMS

	FY 1989 Actual	FY 1990 Estimate	FY 1991 Estimate	Increase/ Decrease
A. Citizen Participation Programs	$ 384,000	$ ---	$ ---	$ ---
B. Volunteer Demonstration Programs	691,000	---	---	---
C. ACTION Drug Alliance	1,573,000	1,314,000	2,245,000	+ 931,000
D. Supplemental Drug Abuse Prevention Program	1,999,000	1,331,000	---	- 1,331,000
Total obligations	$4,647,000	$2,645,000	$2,245,000	-$ 400,000

General Statement

The Special Volunteer Programs are authorized by Title I, Part C of the Domestic Volunteer Service Act of 1973, as amended, which extends through September 30, 1993. These programs are designed to mobilize citizens for voluntary action to change the conditions that deny fulfillment of human potential and to demonstrate and replicate innovative volunteer efforts.

In fiscal years 1990 and 1991 ACTION's Special Volunteer Programs will be concentrated in the areas of drug abuse prevention and education.

Originally funded by the Omnibus Drug Supplemental Appropriations Act of 1987, the ACTION Drug Alliance represents the Administration's commitment to a drug-free America, working toward that goal through community education, corporate and other private sector involvement, and grant awards for local volunteer activities.

In FY 1990, $1,331,000 in additional funding for drug abuse prevention activities was made available to the Agency by the Byrd Amendment to the Department of Transportation and Related Agencies Appropriation Act. (In addition, $148,000 was made available under this Act for program administration; see Activity 5.)

Budget Activity 2A

CITIZEN PARTICIPATION PROGRAMS

	FY 1989 Actual	FY 1990 Estimate	FY 1991 Estimate	Increase/ Decrease
Program Data:				
Number of grants	19	---	---	---
State Office of Voluntarism	2	---	---	---
Mini-Grant Program	16	--- a/	---	---
Technical Assistance Program	1	---	---	---
Obligations:				
State Office of Voluntarism	$199,000	$ ---	$ ---	$ ---
Mini-Grant Program	125,000	---	---	---
Technical Assistance Program	60,000	---	---	---
Total obligations	$384,000	$ ---	$ ---	$ ---

a/ Mini-grants will be funded in FY 1990 from the Supplemental Drug Abuse Prevention Program appropriation, and will be entirely directed toward illicit drug abuse prevention activity.

General Statement

Funding for the Citizen Participation Programs was not provided by the Congress in FY 1990, nor are funds being requested for these programs in FY 1991.

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Budget Activity 2B

VOLUNTEER DEMONSTRATION PROGRAMS

	FY 1989 Actual	FY 1990 Estimate	FY 1991 Estimate	Increase/ Decrease
Program Data:				
Number of grants	17	---	---	---
Obligations:				
Grants	$691,000	$ ---	$ ---	$ ---
Evaluation/audits	---	---	---	---
Total obligations	$691,000	$ ---	$ ---	$ ---

General Statement

Funding for the Volunteer Demonstration Programs was not provided by the Congress in FY 1990, nor are funds being requested for these programs in FY 1991.

Budget Activity 2C

ACTION DRUG ALLIANCE

	FY 1989 Actual	FY 1990 Estimate	FY 1991 Estimate	Increase/ Decrease
Program Data:				
Number of grants	43	37	45	+ 8
Obligations:				
Grants	$1,501,000	$1,250,000	$2,195,000	+$ 945,000
Other program costs	12,000	64,000	50,000	- 14,000
Evaluation	60,000	---	---	---
Total obligations	$1,573,000	$1,314,000	$2,245,000	+$ 931,000

General Statement

Originally funded by the Omnibus Drug Supplemental Appropriations Act of 1987, the ACTION Drug Alliance represents the Administration's commitment to a drug-free America. This program supplements ongoing drug abuse prevention efforts funded under ACTION's other statutory programs. The Drug Alliance program supports efforts toward a drug-free America through community education, corporate, and other private sector involvement, and grant awards for local volunteer activities.

The Drug Alliance is committed to preventing drug abuse before a young person begins experimenting. The program's policy is to encourage the "no use" concept in the fight against drug abuse.

The Drug Alliance grant funding strengthens and expands local volunteer activities through support of community coalitions. It seeks private sector partnerships to ensure the continuation of projects beyond Federal funding. The Drug Alliance's comprehensive strategy includes public awareness and education, training and technical assistance, and intergenerational activities focusing on at-risk youth.

Budget Activity 2C: ACTION DRUG ALLIANCE - continued

Planned Accomplishments in FY 1990: The ACTION Drug Alliance will expand drug prevention and education efforts by awarding 37 grants to involve volunteers at the local level in providing illicit drug prevention activity for high-risk youth. Public-private partnerships for drug prevention will be emphasized and technical assistance will be provided to appropriate individuals and organizations (including all Drug Alliance grantees) concerning illicit drug use prevention and voluntarism.

Objectives for FY 1991: The Drug Alliance plans to award 45 grants to support innovative strategies for involving volunteers in delivering illicit drug prevention information and activity to at-risk youth and to provide on-going technical assistance to individuals and organizations at the national, state, and local levels.

Budget Justification

For FY 1991, ACTION is requesting $2,245,000 for the Drug Alliance, an increase of $931,000 above the FY 1990 level. The reason for this increase is to permit ACTION to maintain a reasonable level of drug prevention grant programming, given that ACTION is requesting no funds under the Supplemental Drug Prevention Program (which received $2,000,000 in FY 1989 and $1,479,000 in FY 1990). These activities, combined with initiatives in other ACTION programs, should result in increasing the Agency's illicit drug use prevention and education activities.

Grants	$2,195,000

The requested amount will fund Drug Alliance grant awards to organizations with innovative approaches for involving volunteers in illicit drug use prevention activities focusing on youth and low-income communities.

Other program costs	$ 50,000

Costs such as drug prevention-related interagency agreements and training events will be funded by the requested amount.

Budget Activity 2D

SUPPLEMENTAL DRUG ABUSE PREVENTION PROGRAM

	FY 1989 Actual	FY 1990 Estimate	FY 1991 Estimate	Increase/ Decrease
Program Data:				
Number of grants	15	15	---	- 15
Obligations:				
Program costs	$1,800,000	$1,065,000	$ ---	-$1,065,000
Support costs	199,000	--- a/	---	---
Evaluation	---	266,000	---	- 266,000
Total obligations	$1,999,000	$1,331,000	$ ---	-$1,331,000

a/ Included in Activity 5, Program Administration.

General Statement

The Anti-Drug Abuse Act of 1988 authorized $4,000,000, $5,000,000, and $5,000,000 for fiscal years 1989, 1990, and 1991, respectively, for ACTION to initiate private sector efforts to increase innovative community-based volunteer demonstration projects for drug abuse education and prevention services and activities; the Urgent Supplemental Appropriations Act of 1989 provided $2,000,000 for these activities. These comprehensive drug abuse prevention and education efforts will include expansion of activities for youth during summer months, increasing formation of parent networks, intergenerational projects and other educational initiatives in special areas.

The Byrd Amendment to the Department of Transportation and Related Agencies Appropriation Act of 1990 (P.L. 101-164) provided a post-sequestration total of $1,479,000 to ACTION for drug abuse prevention and education activities; of this amount, $148,000 was allocated to Program Administration (see Activity 5).

In addition, volunteers in all of ACTION's programs — VISTA, Student Community Service, the Older American Volunteer Programs, and the ACTION Drug Alliance — will continue to be active in drug abuse prevention and education programs throughout the country. Through effective management of volunteer programs and through a commitment to generate long-term private sector support, ACTION will continue development and enhancement of quality community-based programs in FY 1991.

Budget Activity 2D: SUPPLEMENTAL DRUG ABUSE PREVENTION PROGRAM - continued

Accomplishments in FY 1990: ACTION will award Supplemental Drug Abuse Prevention Program grants for projects utilizing older youth or adult volunteers to serve as mentors for high-risk youth to provide drug prevention support and other assistance to reduce the likelihood of becoming involved in illegal drug use. Additionally, grants will also be awarded to implement innovative strategies for involving volunteers in community-based drug prevention activities, focusing on low-income communities. Also, the ACTION-funded drug-free neighborhood project will be evaluated.

Objectives in FY 1991: No funds are being requested for this activity in FY 1991. All funds for drug abuse prevention and education activities are requested under the ACTION Drug Alliance Program (Activity 2C).

Budget Activity 3

OLDER AMERICAN VOLUNTEER PROGRAMS

	FY 1989 Actual	FY 1990 Estimate	FY 1991 Estimate	Increase/ Decrease
A. Retired Senior Volunteer Program	$ 30,857,000	$ 31,487,000	$ 31,519,000	+$ 32,000
B. Foster Grandparent Program	58,912,000	59,623,000	62,079,000	+ 2,456,000
C. Senior Companion Program	25,119,000	26,692,000	26,925,000	+ 233,000
Total obligations	$114,888,000	$117,802,000	$120,523,000	+$2,721,000

General Statement

The Older American Volunteer Programs (OAVP) administered by ACTION are authorized under Title II of the Domestic Volunteer Service Act of 1973, as amended, which extends through September 30, 1993. These programs serve a dual purpose by uniting the time and energy of mature, experienced, and skilled people with unmet community and individual needs. Special emphasis is placed on serving the ill, the frail, the isolated elderly, and young people who are emotionally, mentally, or physically disabled. In FY 1991, approximately 460,000 volunteers aged 60 and over will serve in the Older American Volunteer Programs.

Volunteer Activities: OAVP projects are locally sponsored and administered. Basic program decisions are made at the community or neighborhood level. Within the broad framework of the legislation, volunteer activities grow out of agreements among the volunteer, project staff, and the community as represented by volunteer stations and advisory councils. As a result, specific project activities reflect a variety of service needs and volunteer skills unique to each community.

By the end of FY 1991, Retired Senior Volunteers will be contributing over 74,000,000 hours of service per year. Activities include intergenerational services, literacy enhancement, in-home care, and crime prevention. Other volunteers assist in shelter and food projects for the homeless, serve the disabled, and consult with non-profit service organizations to improve their management and operational practices.

Budget Activity 3: OLDER AMERICAN VOLUNTEER PROGRAMS - continued

Foster Grandparents serve 20 hours per week working both within and outside of institutions with children who have mental, physical, and emotional handicaps. They also serve children who are abused or neglected, who are in the juvenile justice system, or who have other special or exceptional needs. Foster Grandparents help to prevent or delay the institutionalization of children and to deinstitutionalize children who can live within the community.

Senior Companions, who also serve 20 hours per week, seek to prevent or delay the institutionalization of the chronically impaired elderly, shorten the stay of those elderly persons temporarily institutionalized, and deinstitutionalize persons who are able to live at home when some services are provided. They perform a critical role in providing long-term care by assisting adults with mental, emotional, and physical impairments to achieve and maintain their fullest potential, to be healthy, and to manage their lives independently.

Sponsorship: Project grants are awarded by ACTION to private, non-profit organizations and public agencies which recruit, place, and support volunteers. Volunteer services are provided through public and private non-profit agencies and proprietary health care organizations. ACTION provides technical assistance to sponsors and training for project staff. Funding is shared between the sponsor and ACTION.

Program Objectives: ACTION is committed to the principle that the satisfaction of each volunteer is a direct result of his or her activities and contributions which help organizations to function better, improve the lives of others, and enrich their own. In addition, OAVP encourages:

-- recognition of older persons' abilities to find solutions to individual and community needs;

-- development of program activities which promote the mobilization of local resources to meet local needs;

-- volunteer assignments which increase intergenerational contacts;

-- increased state and/or local funding of OAVP and OAVP-type programs; and

-- increased opportunities for disabled seniors to volunteer.

Program Assistance: The OAVP strategy is to enhance local program initiatives by providing program assistance to project sponsors, directors, and staff. Program assistance is provided by making periodic site visits to projects; preparing "how to" program assistance papers in a variety of subject areas including drug abuse prevention, literacy enhancement, and specialized training for handicapped volunteers in order to encourage the development of alternative service opportunities; conducting training sessions in the field; disseminating program regulations, policies, handbooks, procedures, and forms; and awarding small grants to projects which seek to test or demonstrate new concepts of volunteer service.

Budget Activity 3: OLDER AMERICAN VOLUNTEER PROGRAMS - continued

Non-ACTION Funding: OAVP activities have been greatly expanded by the contribution of state and private sector funds to create OAVP-type projects or to supplement existing ACTION projects. In calendar year 1988, total non-ACTION funding sources contributed over $66 million to local OAVP projects. This contribution represents approximately a nine percent increase over the 1987 contribution. The sources of these funds are state governments, city and county governments, and private-sector resources.

State-funded OAVP-type projects that wish to use the Federal program name, to receive technical assistance from ACTION, or to take advantage of the income disregard provisions of OAVP legislation, must sign a Memorandum of Agreement with ACTION. Staff of state-funded projects participate in ACTION training activities, receive program assistance materials, and utilize the technical expertise of ACTION staff.

Special Recruiting: OAVP has made a special effort to encourage members of minority groups and disabled persons to participate in volunteer activities in all three programs. Nearly 17 percent of the Retired Senior Volunteers, 44 percent of the Foster Grandparents, and 43 percent of the Senior Companions are minorities. Ten percent of OAVP volunteers are disabled.

Evaluation: Evaluations of OAVP programs are conducted by persons not directly involved in the administration of the programs. In FY 1991, $114,000 will be used for program evaluation. Audits of OAVP programs will not utilize program funds in FY 1991.

Budget Activity 3A

RETIRED SENIOR VOLUNTEER PROGRAM

	FY 1989 Actual	FY 1990 Estimate	FY 1991 Estimate	Increase/ Decrease
Program Data:				
ACTION-funded volunteers	408,665	415,752	417,456	+ 1,704
Total volunteers a/	411,165	418,452	420,456	+ 2,004
Number of grants funded	752	752	752	---
New	7	---	---	---
Continuing	745	752	752	---
Obligations:				
New grants	$ 269,000	$ ---	$ ---	$ ---
Continuing grants	30,351,000	31,152,000	31,280,000	+ 128,000
Training and technical assistance	85,700	51,000	110,000	+ 59,000
Communications	55,900	121,000	125,000	+ 4,000
Evaluation	95,400 b/	163,000 b/	4,000	- 159,000
Total obligations	$30,857,000	$31,487,000	$31,519,000	+$ 32,000

a/ Includes non-ACTION-funded volunteers.
b/ Includes audit funds.

General Statement

The Retired Senior Volunteer Program (RSVP) was established in 1971 to provide persons aged 60 and over with opportunities for volunteer service in their own communities. By the end of FY 1991, over 420,000 older Americans will be participating in the program, making significant contributions in local efforts to address community needs. The distinguishing feature of RSVP is its flexibility in responding to community needs and designing volunteer opportunities which utilize the unique talents of older individuals willing to share their experiences, abilities, and skills.

During calendar year 1988, in recognition of the value of the services provided by RSVP volunteers and the potential resources represented by older Americans, state governments appropriated an estimated total of $5,000,000 to support the expansion of program activities in their states. City and county governments and the private sector provided over $24,300,000 for RSVP activities. Collectively, these contributions represent an 8.1 percent increase over the 1987 combined contributions.

Budget Activity 3A: RETIRED SENIOR VOLUNTEER PROGRAM - continued

Emphasis will be placed on volunteer services in the designated programs of national significance, which include various health care activities, such as services to developmentally disabled persons and the frail and chronically ill, literacy, child care and extended day care, substance abuse, and other intergenerational activities.

Program initiatives planned for FY 1991 reflect ACTION's commitment to the development and expansion of service opportunities that are both meaningful to older volunteers and responsive to locally identified needs. They complement previous efforts that focus on literacy, services to disadvantaged youth, and child abuse prevention. Intergenerational activities, especially related to drug abuse prevention, will be emphasized as well.

Planned Accomplishments in FY 1990: At the end of FY 1990, nearly 416,000 volunteers in 752 ACTION-funded projects will provide over 74,000,000 hours of service. The programs of national significance will be established in a number of existing projects to expand volunteer service in such critical areas as disabled persons, the frail and chronically ill, literacy, child care and extended day care, substance abuse, and other intergenerational activities.

Objectives for FY 1991: Approximately 1,700 additional volunteers in existing projects will expand the services in the programs of national significance.

Budget Justification

New Grants $ ---

No new grants are planned for FY 1991.

Continuing Grants $31,280,000

The FY 1991 request for continuing grants will permit a slight increase of volunteers in the specific areas of the programs of national significance.

Training and Technical Assistance $ 110,000

The requested amount will support the cost of RSVP attendance at training events and the production of technical assistance materials distributed to projects.

Communications $ 125,000

The requested amount includes the production, printing, and distribution of public information, recruitment, and related materials.

Budget Activity 3A: RETIRED SENIOR VOLUNTEER PROGRAM - continued

Evaluation	$ 4,000

The requested amount includes funding for printing of recent evaluation studies.

Budget Activity 3B

FOSTER GRANDPARENT PROGRAM

	FY 1989 Actual	FY 1990 Estimate	FY 1991 Estimate	Increase/ Decrease
Program Data:				
Number of Federally-funded volunteer service years	17,800	18,000 b/	18,000 b/	---
Total volunteers a/	26,400	26,800	26,900	+ 100
Number of grants funded	264	264	264	---
New	12	---	---	---
Continuing	252	264	264	---
Obligations:				
New grants	$ 1,610,300	$ ---	$ ---	$ ---
Continuing grants	57,106,300	59,317,000	61,913,000	+ 2,596,000
Training and technical assistance	30,300	25,000	40,000	+ 15,000
Communications	63,400	121,000	66,000	- 55,000
Evaluation	101,700 c/	160,000 c/	60,000	- 100,000
Total obligations	$58,912,000	$59,623,000	$62,079,000	+$2,456,000

a/ Includes non-ACTION-funded volunteers.
b/ Adjusted for comparability with FY 1989; includes annualized level of volunteers from challenge grants funded in FY 1990.
c/ Includes audit funds.

General Statement

The Foster Grandparent Program (FGP) is unique because it effectively uses the "grandparent" concept, a social role which can be filled only by an older person. Foster Grandparents are low-income people aged 60 and over who provide supportive, person-to-person services to children with exceptional or special needs. Within health care, special education, and community service settings, Foster Grandparents use their patience, resourcefulness, and skills to address the physical, mental, social, or emotional needs of the children they serve.

During 1988, non-ACTION sources contributed about $24,062,000, an increase of over $1,000,000 from 1987 overall contributions.

Budget Activity 3B: FOSTER GRANDPARENT PROGRAM - continued

Foster Grandparent placements and assignments are developed by matching the older person's interests, skills, and experiences with the needs of children. A Foster Grandparent normally serves 20 hours per week providing special care and attention on a one-to-one basis to three or four children. About 26,400 Foster Grandparents assist approximately 71,000 children on a given day in all 50 states, the District of Columbia, Puerto Rico, and the Virgin Islands.

ACTION project grants provide Foster Grandparents with a nontaxable stipend, transportation to and from volunteer stations, an annual physical examination, accident and liability insurance, a meal on service days, and recognition for their activities. Indirect benefits include the personal satisfaction and higher self-esteem that are consequences of helping others who have exceptional or special needs. Older persons who are not income-eligible may serve without the stipend, but receive the other benefits.

Special pre-service and in-service training prepares Foster Grandparents for a variety of placements which range from mental retardation facilities, mental health institutions, youth detention centers, and regular and special schools to foster care and in-home placements in cases of child abuse. Foster Grandparents are part of an interdisciplinary team which helps to alleviate problems faced by children with exceptional or special needs. Foster Grandparents have proved themselves successful in encouraging self-help skills even among the severely retarded and other disabled children. Some teach youthful offenders trade skills from which they can obtain occupations and contribute to the communities in which they live. Where child abuse occurs, Foster Grandparents provide love to the child and positive adult role models to the child's parent(s) and the child.

Descriptive surveys of the Foster Grandparent Program have indicated that a great majority of the volunteers consistently see their service as meaningful and that the program has a low turnover rate. From these indications the survey concluded that the program is meeting the goal of providing significant and meaningful volunteer service opportunities for low income persons aged 60 and over.

Planned Accomplishments in FY 1990: In FY 1990, approximately 18,000 ACTION-funded volunteer service years will be generated in 264 ACTION-funded projects assisting close to 63,000 children with special needs. There will be an estimated 2,600 non-ACTION-funded volunteer service years serving approximately 9,100 children. Components to promote programs of national significance will be initiated this year. Efforts will continue to expand volunteer participation through cooperative agreements with other public and private non-profit organizations. Special events at the local level and promotional materials will be developed to commemorate the program's twenty-fifth anniversary.

Budget Activity 3B: FOSTER GRANDPARENT PROGRAM - continued

Objectives for FY 1991: Implementation of a stipend increase for ACTION-funded volunteer service years will be a priority this year. Funding support for 264 ACTION funded projects will be maintained. Programming efforts will continue to focus on at-risk youth, drug-abuse prevention, teen parents and other critical problems confronting children in the community. Approximately 72,000 children with special needs will receive Foster Grandparent services.

Budget Justification

New Grants $ ---

No new grants are planned in FY 1991.

Continuing Grants $61,913,000

The FY 1991 request for continuing grants will be used to support approximately 18,000 Federally-funded volunteer service years in 264 projects. These projects plus those funded with non-ACTION funds will serve about 72,500 children with special or exceptional needs. This request will also cover an increase in volunteer stipend (from $2.20 to $2.35 per hour) proposed this year.

Training and Technical Assistance $ 40,000

The requested amount will cover some costs related to project staff training which will be conducted at regular intervals by ACTION's field offices. Also included is the program share of the cost of printing and miscellaneous procurements.

Communications $ 66,000

The request will cover the cost of various program materials used for public information and recruitment purposes.

Evaluation $ 60,000

The amount requested will cover the cost of evaluating certain aspects of program operations.

Budget Activity 3C

SENIOR COMPANION PROGRAM

	FY 1989 Actual	FY 1990 Estimate	FY 1991 Estimate	Increase/ Decrease
Program Data:				
Number of Federally-funded volunteer service years	7,300	7,800 b/	7,800 b/	---
Total volunteers a/	11,800	12,600	12,700	+ 100
Number of grants funded	143	143	143	---
New	1	---	---	---
Continuing	142	143	143	---
Obligations:				
New grants	$ 200,400	$ ---	$ ---	$ ---
Continuing grants	24,705,400	26,497,000	26,771,000	+ 274,000
Training and technical assistance	15,400	25,000	40,000	+ 15,000
Communications	143,600	45,000	64,000	+ 19,000
Evaluation	54,200 c/	125,000 c/	50,000	- 75,000
Total obligations	$25,119,000	$26,692,000	$26,925,000	+$ 233,000

a/ Includes non-ACTION-funded volunteers.
b/ Adjusted for comparability with FY 1989; includes annualized level of volunteers from challenge grants funded in FY 1990.
c/ Includes audit funds.

General Statement

Senior Companions, who are low-income people aged 60 and over, provide personal assistance and companionship primarily to older adults who have physical, mental, or emotional impairments which put them at risk of institutionalization or which preclude deinstitutionalization without the support of a Senior Companion. Through direct project grants, technical assistance, training, research, and evaluation efforts, the Senior Companion Program (SCP) draws upon the resourcefulness and skills of older people, thereby demonstrating the role older volunteers can play in contributing to the solutions of the problems of aging.

In calendar year 1988, state governments provided $7,007,000 for SCP activities, and other non-Federal sources contributed an additional $6,217,000 for the expansion of this program. Collectively, these contributions represent about a 24 percent increase over the 1987 combined contribution.

Budget Activity 3C: SENIOR COMPANION PROGRAM - continued

The Senior Companion Program demonstrates that older persons can perform a critical role in contributing to the solution of problems of aging. It fosters independence and enhances the self-esteem of the Senior Companions by involving them in activities which improve the lives of individuals and communities. It fosters and expands the realization that concerned and knowledgeable older persons can perform a unique role in the long-term care system.

The program assists in meeting the long-term care needs of older people, focusing on the moderately and generally impaired who are without adequate family support. Through the coordination and placement of volunteers through direct health care providers, social service agencies, and Federal and state long-term care programs, assistance is provided in daily living activities to older people who are chronically homebound and at risk of institutionalization.

The Senior Companions also assist clients in patient discharge programs at acute care, mental health, and other long-term care facilities to make the transition to living in less restrictive community settings. In all settings, the Senior Companions serve as personal representatives by linking clients to appropriate services and assuring that they receive benefits to which they are entitled.

Senior Companions normally serve three or four persons for a total of 20 hours per week. They receive a nontaxable stipend, transportation assistance, meals when serving as volunteers, annual physical examinations, and accident and personal liability insurance. Older persons who are not income-eligible may serve without the stipend, but receive the other benefits.

During FY 1991 the program will continue to emphasize in-home services and coordination with existing community-based home health and long-term care systems.

Planned Accomplishments in FY 1990: In FY 1990, approximately 7,800 ACTION-funded volunteer service years will be generated in 143 ACTION-funded projects and, with the addition of about 1,900 non-ACTION-funded volunteer service years, will be assisting about 34,000 adult clients with various impairments. Implementation of programs of national significance will be a priority. Special volunteer training to enhance services to hearing-impaired clients developed through a joint agreement with a private sector group will be continued.

Objectives for FY 1991: A priority for FY 1991 will be the implementation of a stipend increase from $2.20 to $2.35 per hour for ACTION-funded volunteers. Programming emphasis will continue to be on in-home services and coordination with existing community-based home health and long term care systems. Efforts will also continue in developing partnership agreements with both public and private sector groups to expand volunteer participation beyond current levels. A mid-term assessment of the demonstration effort for visually-impaired volunteers initiated in FY 1990 will be made this year.

Budget Activity 3C: SENIOR COMPANION PROGRAM - continued

Budget Justification

New Grants $ ---

No new grants are planned in FY 1991.

Continuing Grants $26,771,000

The FY 1991 request for continuing grants will be used to support approximately 7,800 Federally-funded volunteer service years in 143 projects. It will also cover an increase in the volunteer stipend (from $2.20 to $2.35 per hour) proposed this year.

Training and Technical Assistance $ 40,000

The requested amount will cover some costs related to project staff training which will be conducted at regular intervals by ACTION's field offices. Also included is the cost of printing and miscellaneous procurements.

Communications $ 64,000

This request will cover the cost of various program materials used for public information and recruitment purposes.

Evaluation $ 50,000

The amount requested will cover the cost of evaluating certain aspects of program operations.

Budget Activity 4

OFFICE OF THE INSPECTOR GENERAL

	FY 1989 Actual	FY 1990 Estimate	FY 1991 Estimate	Increase/ Decrease
Program Data:				
Full-time permanent positions	---	---	13	+ 13
Obligations:				
Audit costs	$ ---	$ ---	$ 261,000	+$ 261,000
Investigation costs	---	---	13,000	+ 13,000
Salaries and expenses	---	---	827,000	+ 827,000
Total obligations	$ ---	$ ---	$1,101,000 a/	+$1,101,000

a/ FY 1991 is the first year for which the Agency is requesting a separate allocation for the Office of the Inspector General, in accordance with the Inspector General Act Amendments of 1988. In prior years funding and full-time equivalent employment for the activities of the Office of the Inspector General were included in the allocations for Activity 5 (Program Administration; included salaries, benefits, and travel associated with operational audits and investigations) and Activities 1, 2, and 3 (program audits).

General Statement

The ACTION Office of the Inspector General is authorized under Section 8E of the Inspector General Act, as amended. The Office reviews overall agency operations, primarily through audits and investigations, with the goal of increasing organizational efficiency and effectiveness, as well as preventing fraud, waste, and abuse.

The ACTION audit universe includes between 1,700 and 1,800 grants and the numerous headquarters and regional operations that include the grant-making process, payments to volunteers and many routine governmental functions. Only those non-profit organizations with grants that exceed $100,000 (approximately 47 percent of Federal funds) are audited on a four-year cycle. ACTION relies primarily on cognizant agencies to audit state and local governments with grants over $100,000 (approximately 22 percent of Federal funds) and review the resulting audits for compliance and follow-up where necessary. Only a small number of the remaining grantees are audited, using a judgmental sample. Operational audits are done both at the request of management officials and on a cyclical basis or to evaluate some particular issue.

Budget Activity 4: OFFICE OF THE INSPECTOR GENERAL - continued

Using both in-house auditors and contracted CPA firms, under the SBA 8(a) program, approximately 100 audits are conducted each year. The number may decrease slightly as the emphasis shifts to more complex operational and systems audits.

Planned Accomplishments in FY 1990: The Office of the Inspector General (OIG) plans to increase the number of operational audits both in the regions and in headquarters from three to six or more, while maintaining the level of approximately 50 grant audits, systems surveys, and quality assessment reviews performed by in-house staff and the 55 grant audits performed by the contracted CPA firms.

OIG staff will:

- o Contribute to the revision and update of the Agency Order on the Audit Resolution Status System. In the past the Office of the Inspector General was responsible for the tracking system, but will be done by the Office of Management and Budget in the future.

- o Revise the Audit Guide and the Investigations Manual in order to assure compliance with laws, regulations and OMB Circulars.

- o Increase the awareness within the Agency and among the grantee project directors of the new role of the Office of the Inspector General, as defined in the Inspector General Act Amendments of 1988. One vehicle will be participating in the Training and Development System (TADS) conferences being held in each region.

- o Conduct independent investigations of known or suspected violations of criminal and civil statutes and Agency regulations.

- o Produce and submit required reports to the Director and Congress as required by the Inspector General Act Amendments of 1988.

Objectives for FY 1991: In FY 1991, the Office of the Inspector General will:

- o Develop stronger expertise in performing operational audits, particularly on Agency systems and internal controls, therefore shifting the majority of the time spent by in-house auditors to internal rather than grant audits. Complex or very large grant audits, systems surveys, and quality assessment reviews will continue to be conducted by in-house auditors.

- o Study advantages and disadvantages of using the competitive process for contracting with CPA firms for grant audits.

- o Design and implement a totally automated Office of the Inspector General.

Budget Activity 4: OFFICE OF THE INSPECTOR GENERAL - continued

- Begin designing and implementing proactive projects to prevent waste and abuse in a number of operational areas. For example, flyers may be distributed concerning (1) the role of the Inspector General, (2) procedures regarding responses to audits, (3) rules regarding the use of the telephone, or (4) rules regarding travel.

- Conduct investigations and prepare required reports.

Budget Justification

Audit costs	$ 261,000

Includes $41,000 for travel, training, printing costs for the Semi-Annual Report to the Congress, and office supplies, and $220,000 for contracted audit services.

Investigation costs	$ 13,000

Includes travel costs for various investigations.

Salaries and expenses	$ 827,000

Includes $777,000 for salaries and associated fringe benefits for 13 FTE's and $50,000 for enhanced automation for the Office.

Budget Activity 5

PROGRAM ADMINISTRATION

	FY 1989 Actual	FY 1990 Estimate	FY 1991 Estimate	Increase/ Decrease
Program Data:				
Full-time permanent positions a/	460	460	467	+ 7
Domestic Operations headquarters	63	63	67	+ 4
Domestic Operations field	273	276	289	+ 13
Support offices	124	121	111 b/	- 10
Obligations:				
Personnel compensation and benefits	$19,263,000	$20,384,000	$22,302,000	+$ 1,918,000
Other expenses	5,698,000	5,826,000	6,869,000	+ 1,043,000
Total	$24,961,000	$26,210,000	$29,171,000	+$ 2,961,000

a/ The ceiling on compensable work years to be generated by all staff (both permanent and non-permanent) in FY 1990 is 435 and in FY 1991 is 451.

b/ The positions for the Inspector General, included in this category for fiscal years 1989 and 1990, are shown under Activity 4.

General Statement

Program administration is authorized under Title IV of the Domestic Volunteer Service Act of 1973, as amended, which extends through September 30, 1993. Program administration funds are provided for the operation and support of ACTION's programs and activities. The major distribution of duties and responsibilities is as follows:

A. The Office of Domestic and Anti-Poverty Operations is made up of field and headquarters offices which are directly responsible for the administration of all of ACTION's programs throughout the United States.

B. Support offices carry out the overall management of the Agency, including research and policy development, public awareness, liaison with the Congress and other Federal and non-Federal government agencies, financial management, equal employment opportunity, and all other management and administrative services required to support the Agency's programs.

A more detailed explanation of the activities of the various offices is contained on the subsequent pages of this section.

OPERATING EXPENSES, PROGRAM ADMINISTRATION

OBLIGATIONS BY OBJECT a/

	FY 1989 Actual	FY 1990 Estimate	FY 1991 Estimate	Increase/ Decrease
Total number of permanent positions	460	460	467	+ 7
Compensable work years	429	435	451	+ 16
Personnel compensation:				
Permanent positions (FTP)	$16,113,000	$17,000,000	$18,413,000	+$ 1,413,000
Positions other than FTP	191,000	123,000	187,000	+ 64,000
Other personnel compensation	225,000	160,000	322,000	+ 162,000
Total, personnel compensation	$16,529,000	$17,283,000	$18,922,000	+$ 1,639,000
Personnel benefits	2,715,000	3,086,000	3,370,000	+ 284,000
[FECA]	[230,000]	[378,000]	[338,000]	[- 40,000]
Benefits for former personnel	19,000	15,000	10,000	- 5,000
Travel and transportation of staff	488,000	540,000	719,000	+ 179,000
Transportation of things	57,000	40,000	42,000	+ 2,000
Rents, communications and utilities	3,987,000	3,931,000	4,613,000	+ 682,000
[Building rents]	[2,646,000]	[2,600,000]	[3,155,000]	[+ 555,000]
Printing and reproduction	59,000	59,000	61,000	+ 2,000
Other services	861,000	1,101,000	1,201,000	+ 100,000
Supplies and materials	243,000	155,000	233,000	+ 78,000
Equipment	---	---	---	---
Insurance claims and indemnities	3,000	---	---	---
Total direct obligations	$24,961,000	$26,210,000	$29,171,000	+$ 2,961,000

a/ Items in brackets are non-add items.

Budget Activity 5: PROGRAM ADMINISTRATION - continued

OBLIGATIONS BY FUNCTION

	FY 1989 Actual	FY 1990 Estimate	FY 1991 Estimate	Increase/ Decrease
Agency Management	$ 820,000	$ 1,008,000	$ 1,401,000	+$ 393,000
Domestic Operations	13,711,000	14,273,000	15,919,000	+ 1,646,000
Policy, Research, and Evaluation	385,000 a/	501,000	568,000	+ 67,000
General Counsel	236,000	265,000	358,000	+ 93,000
Public Affairs	614,000	594,000	778,000	+ 184,000
Inspector General	589,000 a/	590,000	b/	- 590,000
Management and Budget	8,606,000	8,979,000	10,147,000	+ 1,168,000
Total obligations	$24,961,000	$26,210,000	$29,171,000	+$ 2,961,000

PERMANENT POSITIONS BY FUNCTION

	FY 1989 Actual	FY 1990 Estimate	FY 1991 Estimate	Increase/ Decrease
Agency Management	14	19	19	---
Domestic Operations	336	339	356	+ 17
Policy, Research, and Evaluation	11	7	8	+ 1
General Counsel	5	6	6	---
Public Affairs	11	10	12	+ 2
Inspector General	10	13	b/	- 13
Management and Budget	73	66	66	---
Total positions	460	460	467	+ 7

a/ The Program Analysis and Evaluation Division was transferred from the Office of the Inspector General to the Office of Policy and Research during FY 1989, and the latter office was renamed the Office of Policy, Research, and Evaluation.

b/ The Office of the Inspector General is in Budget Activity 4 for FY 1991.

DETAIL OF PERMANENT POSITIONS

	FY 1989 Actual	FY 1990 Estimate	FY 1991 Estimate
Executive level III	1	1	1
Executive level IV	1	1	1
Executive level V	1	1	1
Subtotal	3	3	3
ES-6	3	3	3
ES-5	3	3	3
ES-4	1	1	1
ES-3	2	2	2
ES-2	---	---	---
ES-1	1	1	1
Subtotal	10	10	10
GS/GM-15	20	22	21
GS/GM-14	22	24	24
GS/GM-13	101	103	102
GS-12	116	107	111
GS-11	23	28	28
GS-10	1	1	1
GS-9	28	29	31
GS-8	5	5	5
GS-7	45	41	42
GS-6	36	38	40
GS-5	39	41	41
GS-4	8	6	6
GS-3	2	2	2
GS-2	1	---	---
Subtotal	447	447	454
Ungraded	---	---	---
Total permanent positions	460	460	467
Unfilled positions, end of year	31	13	15
Total employment, end of year	429	447	452

Budget Activity 5: PROGRAM ADMINISTRATION - continued

AGENCY DIRECTION

Top-level management functions for the Agency are provided by the following offices:

1. Office of the Director: The Director of ACTION is responsible for the supervision and control of all ACTION programs and for the support functions that serve those programs. The Deputy Director carries out such responsibilities and authorities as are delegated by the Director.

2. Equal Opportunity: The Equal Opportunity staff ensures the Agency's compliance with Titles VI and VII of the Civil Rights Act, the Rehabilitation Act, the Age Discrimination in Employment Act, and other civil rights provisions, and directs the implementation of the equal opportunity program, including the processing of discrimination complaints, monitoring handicap accessibility, and ensuring compliance by grantees.

3. Legislative Affairs: The Legislative Affairs staff is responsible for developing and coordinating policy and procedural guidance on all matters relating to the Congress in conjunction with the Director and Deputy Director.

DOMESTIC AND ANTI-POVERTY OPERATIONS

The staff of the Office of Domestic and Anti-Poverty Operations provides direct support of ACTION's major programs throughout the United States, assuring responsiveness to local needs while maintaining effective programmatic and management direction, review, and coordination through a field staff which is recruited and trained to develop, monitor, and manage each of the programs ACTION administers. Overall program and management guidance, direction, and review are provided by the Associate Director for Domestic and Anti-Poverty Operations through program offices specializing in each of the programs. The specific responsibilities of each of the major operating levels within Domestic Operations are as follows:

1. State offices: Staff in the ACTION state offices are responsible for project development and monitoring; volunteer recruitment; technical assistance; and liaison with state officials and local groups.

2. Regional offices: The nine ACTION regional directors are responsible for carrying out program direction through line management of state offices; administrative support to state offices and full-time volunteers; coordination of resource allocations within the region; grants management and fiscal services; volunteer recruitment; technical assistance and training to sponsors and full-time volunteers; and review and approval of project funding.

Budget Activity 5: PROGRAM ADMINISTRATION - continued

3. Headquarters: The Associate Director for Domestic and Anti-Poverty Operations is responsible for carrying out overall direction of programs through management of both regional directors and headquarters staff. Headquarters staff are responsible for: volunteer recruitment and placement; technical assistance and training for regional and state staff; response to Congressional inquiries; central records management; design and distribution of program materials; review and analysis of trends, accomplishment of national goals, and audits; development of program policy and goals; preparation of publications; program planning; and budget development and execution.

POLICY, RESEARCH, AND EVALUATION

The Office of Policy, Research, and Evaluation was established in 1989 to consolidate research and evaluation functions. The Office develops long term policy goals through research designed to formulate options and conducts evaluations to describe program activities, document accomplishments, and assess the impact of ACTION's programs.

GENERAL COUNSEL

The General Counsel is the chief legal official who provides legal advice and representation to the Director of ACTION, Agency officials, and others with respect to all matters arising under the Domestic Volunteer Service Act of 1973, as amended, and other legal and regulatory provisions affecting the authorities and operations of the Agency.

PUBLIC AFFAIRS

The Public Affairs staff is responsible for maintaining liaison with the media and public and private sector sources to promote understanding and support for ACTION's programs and for voluntary participation.

MANAGEMENT AND BUDGET

The Office of Management and Budget (OMB) is made up of the following organizations, carrying out the responsibilities described below:

1. Associate Director: The Associate Director for OMB is responsible for coordinating and managing the full spectrum of services provided by the operating units within the office.

2. Personnel Management: This division recommends and implements policies, standards, and procedures regarding staff recruitment, placement, and training, classification and position management, and labor and employee relations programs. In addition, the staff provides a full range of personnel services to program and support offices. With the Accounting and Financial Management Division, Personnel Management serves as liaison between the

Budget Activity 5: PROGRAM ADMINISTRATION - continued

Agency and the National Finance Center (NFC) of the Department of Agriculture, which provides personnel processing and staff payroll services to the Agency.

3. Administrative and Management Services: Such functions as space and property management, telecommunications services, printing and distribution, mail and courier services are the responsibility of this division. In addition, the staff of this division is responsible for managing the Agency's directives system; coordinating requests filed under the Freedom of Information and Privacy Acts; controlling external reporting and audit resolution requirements; reviewing, monitoring, and coordinating organizational changes; and conducting management analyses to assist management in increasing Agency efficiency and effectiveness.

4. Comptroller: The Comptroller exercises day-to-day supervision and oversight for the financial management, planning, and automation services for the Agency. Organizationally, these services are provided by the following divisions:

   a. Automation: Automation staff oversees the Agency's automated data processing services, including systems for accounting, grants management, and volunteer payroll.

   b. Procurement and Grants: Procurement policy for the Agency is developed and implemented in this division; headquarters small purchases and contracts are processed by this staff as well. Grants activities include administering the grant award process, awarding grants, and overseeing the implementation and maintenance of the grants management information systems to provide necessary data for internal decision-making and external reporting through the Federal Assistance Awards Data System (FAADS).

   c. Planning and Budget: This division has varied responsibilities, including:

      1) Defining, presenting, analyzing, and periodically reviewing ACTION's goals, as well as the Agency's programmatic and administrative objectives and their implementation, and translating these objectives into both current and long-range plans.

      2) Formulating, presenting, and justifying ACTION's budget requests to both the Office of Management and Budget and the Congress, as well as overseeing the execution of the Agency's budget.

   d. Accounting and Financial Management: The staff of this division is responsible for the Agency's financial management systems and reports, including coordinating reviews to evaluate compliance with financial management policies and procedures. Other activities carried out by this division include maintaining the Agency's accounting and volunteer payroll systems and processing all other financial transactions.

Budget Activity 5: PROGRAM ADMINISTRATION - continued

Budget Justification

The FY 1991 budget request for Program Administration of $29,171,000 is an increase of $2,961,000 above the FY 1990 level.

Personnel compensation and benefits $22,302,000

The increase in the requirement for personnel compensation and benefits is due to the full year impact of the January 1989, pay raise and the need to increase staffing to the Agency's 451 FTE level in order to promote effectiveness and innovation in program development and monitoring. The staffing increases will (a) provide additional (13 full-time equivalent (FTE) workyears) support for recruitment and placement of VISTA Volunteers and (b) promote certain activities (6 FTE) related to evaluation functions as well as various management responsibilities related to assuring the integrity of programs and funds. These increases in staffing will be offset by reductions through attrition in other areas.

Other expenses $ 6,869,000

The funding requested for this budget category includes travel, transportation of things, rents, contractual services, printing, and supplies that will be used to support headquarters and field staff. The primary increases support: (a) travel primarily for project monitoring and to conduct additional training for volunteers; (b) automation and modernization activities; and (c) inflationary cost increases.

THURSDAY, MARCH 29, 1990.

FEDERAL MINE SAFETY AND HEALTH REVIEW COMMISSION

WITNESSES

FORD B. FORD, CHAIRMAN
RICHARD L. BAKER, EXECUTIVE DIRECTOR
JOYCE A. DOYLE, COMMISSIONER
RICHARD V. BACKLEY, COMMISSIONER
JAMES A. LASTOWKA, COMMISSIONER
PAUL MERLIN, CHIEF ADMINISTRATIVE LAW JUDGE

Mr. STOKES. Next we will hear from the Federal Mine Safety and Health Review Commission. We will welcome the witnesses. Mr. Ford, we are pleased to have you and your colleagues here before the subcommittee.

Would you like to take a moment and introduce your colleagues and then proceed as you like?

Mr. FORD. Thank you, Mr. Chairman. I would like to do that.

On my far right is Commissioner Joyce A. Doyle and to my immediate right is Commissioner Richard V. Backley. To my far left is Chief Administrative Law Judge Paul Merlin and to his right is Commissioner James A. Lastowka. To my immediate left is the Executive Director of the Commission, Richard Baker.

Mr. STOKES. Thank you. We are pleased to have all of you with us.

Mr. FORD. Thank you.

I just have a brief statement, if it is permissible to read it for the record.

Mr. STOKES. Please proceed.

OPENING STATEMENT

Mr. FORD. Mr. Chairman and members of the committee, it is a pleasure to again appear before the committee in support of the fiscal year 1991 budget request of the Federal Mine Safety and Health Review Commission totaling $4,292,000.

The Federal Mine Safety and Health Review Commission exists to objectively and neutrally adjudicate through administrative trial and appellate review legal disputes arising under the Federal Mine Safety and Health Amendments Act of 1977 among or between mine operators, the Department of Labor, and miners.

This five-member Commission provides administrative appellate review. Its functions include reviewing all Administrative Law Judge decisions, ruling on petitions for discretionary review, directing review sua sponte for cases that may be contrary to law or policy or that may present novel questions of policy, and issuing de-

cisions that affirm, modify or vacate Administrative Law Judge decisions directed for review.

If not considered for formal review, an Administrative Law Judge decision becomes a final non-precedential order of the Commission. Appeals from the final decisions of the Commission are to the U.S. Courts of Appeals.

In the activity of Administrative Law Judge Determinations, we expect to receive 1,960 new cases and dispose of 1,975 cases, leaving a case inventory at the end of fiscal year 1991 of 1,274. In fiscal year 1990, we anticipate the number of Administrative Law Judge cases to total 1,960 and expect dispositions to total 1,851, leaving a case inventory of 1,289 at the end of the year.

During fiscal year 1989, 1,889 new cases were received and 1,797 cases were decided. Of those dispositions, 856 were disposed of prior to hearing by settlement approved by the Administrative Law Judges, 635 were disposed of on motion or by stipulated record, and 306 were fully tried prior to decision. At the close of the year, the pending caseload before the judges was 1,180.

At the Commission Review Level, we expect to receive 67 new cases for formal review and also dispose of 67 cases, leaving an ending inventory of 26 cases for fiscal year 1991. In addition, the Commission will continue to review Administrative Law Judge decisions. In fiscal year 1990, we expect to both receive and dispose of 63 cases.

In fiscal year 1989, the Commission received 52 new cases and issued 47 substantive decisions and denied 16 petitions on review, for a total case disposition of 63. The average age of the 47 substantive decisions in fiscal year 1989 was 9.4 months.

The Commission attempts to hold as many meetings as possible in open session, and of the 33 meetings held in fiscal year 1989, 18 were open, four were closed, and 11 were partially closed and partially open.

Over the past several years, we have seen a steady increase in our workload of new cases. While the disposition of cases has also increased, our inventory of unresolved cases has continued to grow. In order to reduce these inventories, we propose during fiscal year 1990 to fill three of our existing vacant positions, including an Administrative Law Judge.

The fiscal year 1991 request of $4,292,000 is an increase of $262,000 which is needed mainly to support this added staff and to cover general pay increases for the Commission's employees.

Thank you for the opportunity to present this statement, Mr. Chairman. I would be pleased to respond to questions from you and members of the committee.

WORKLOAD

Mr. STOKES. Thank you very much, Mr. Ford, for your statement.

Mr. Ford, the Labor Department is requesting a decrease of 50 staff for the Mine Safety and Health Administration in 1991. This will result in about 2,200 fewer nonmandatory compliance reviews. When and how will this reduction impact on the workload at the Commission?

Mr. FORD. We normally try to construct our estimates on the number of citations that are assessed by the Mine Safety and Health Administration. The citations that have been assessed have grown considerably since 1987; 131,000 were assessed in 1987 and 156,000 last year.

I anticipate that while the reduction in MSHA compliance review may have some impact, I can't say just how much of a reduction in the anticipated increase will occur.

[The prepared statement of Mr. Ford follows:]

29-886 O—90——6

SUBCOMMITTEE ON LABOR, HEALTH AND HUMAN SERVICES AND EDUCATION

STATEMENT OF

FORD B. FORD, CHAIRMAN

FEDERAL MINE SAFETY AND HEALTH REVIEW COMMISSION

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Thank you for the opportunity to present this statement, Mr. Chairman. I would be pleased to respond to questions from you and members of the Committee.

CASELOAD

Mr. STOKES. When the budget was submitted in January, the Commission estimated that 1,960 new Administrative Law Judge cases would be received in 1990. At this point, we are halfway through the year. Have you revised your projections based on actual data?

Mr. FORD. Our actual data for the first five months of FY 1990 indicates our projection should be somewhat lower. We attribute this to the labor unrest in Appalachia, of which you are aware, and which appears on the way to being resolved. So our appeals were lower for the winter months.

We took a count of the incoming cases for March 1990 and find they are approaching 200 appeals. This prior pattern of appeals influenced our estimate of 1,960. While we probably will not reach 1,960 by the end of the fiscal year, the trend seems to indicate the estimate in 1991 to be valid.

REVIEW CASES

Mr. STOKES. Mr. Ford, you are estimating a 29-percent increase in the number of new Commission review cases between 1989 and 1991. Are your caseload projections at the Commission review level still on target?

Mr. FORD. Yes, sir, they are very much on target. In fact, we are exceeding them right now.

Mr. STOKES. You project no increase in the number of new cases for Administrative Law Judges in 1991. Why then is the Commission requesting an increase in staff in that area?

Mr. FORD. What we are experiencing at the present time, Mr. Chairman, is a growing inventory before the Administrative Law Judges. Our goal is 150 cases per Administrative Law Judge, per year. We will have a shortfall of undecided cases if we are unable to hire an additional Administrative Law Judge. This could result in cases becoming stale and therefore more difficult to try and decide.

STAFFING

Mr. STOKES. Now, it appears that the bulk of the caseload is at the Administrative Law Judge level, yet the allocation of staff is predominantly at the Commission review level. Can you explain the rationale for staff allocation between the two programs?

Mr. FORD. The Commission review level encompasses the body of five Commissioners each of whom is allocated a counsel and confidential assistant. This level also includes our dockets office and the administrative office, which supports both activities.

At the Administrative Law Judge level, each judge has a secretary and only the chief judge has a law clerk. Court reporters are under contract.

Mr. STOKES. Now, at the end of 1989, there were eight vacancies out of 56 authorized positions at the Commission. Was turnover greater than expected?

Mr. FORD. No, sir, it wasn't greater than expected. There were some positions that were authorized and funded that we did not fill such as the Administrative Law Judge position.

There are a number of authorized positions for which we have not asked to be funded.

VACANCIES

Mr. STOKES. Mr. Ford, how many vacancies do you currently have, and how many of these are in the Administrative Law Judge area?

Mr. FORD. We have five vacancies. An Administrative Law Judge and one secretary to the judge are vacancies in the Administrative Law Judge area.

Mr. STOKES. Your budget requests two additional staff for 1991. Have you considered filling the vacancies you currently have and then reevaluating the need for additional people after you achieve full staffing?

Mr. FORD. The staff we are requesting is the previously authorized administrative judge position and a secretary for that judge. We are also requesting an attorney for the General Counsel's office which would be filled for half a year in 1990 and fully funded in 1991. We feel that the addition of these positions would be appropriate to avoid a continuing backlog in both the Commission and Administrative Law Judge levels.

Mr. STOKES. All right.

Mr. Ford, I have a number of other questions which we will submit to you for the record. Mr. Conte and other members will also have a number of questions to submit to you for the record, and we will ask you to give us full answers to those questions. We want to express to you and your colleagues our appreciation for your appearance here today, and thank you for your cooperation in our hearings.

Mr. FORD. Thank you for the courtesies.

Mr. STOKES. This hearing is adjourned until 2 p.m. this afternoon.

[The following questions were to be answered for the record:]

MINES

Mr. Natcher: How many miners are there today and how does this number compare to 15 years ago?

Mr. Ford: According to the Department of Labor's Mine Safety and Health Administration there were 401,753 miners in 1989 in the coal and metal/nonmetal mining industry. Fifteen years ago - in 1974 - there were 426,165 miners.

Mr. Natcher: Has there been a direct relationship between the number of miners and the Commission's caseload over the years?

Mr. Ford: We do not believe there is a direct relationship between the number of miners and the Commission's caseload. We feel that the Department of Labor's enforcement actions such as the issuing and assessing of citations, regular inspections, and the application of new standards have a more direct relationship than miner employment.

Mr. Natcher: Did the Pittston mine strike and its subsequent settlement have any impact on workload at the Commission?

Mr. Ford: We believe there was an impact. We noticed that in the fourth quarter of FY 1989 and during the first quarter of 1990 there was an overall decrease in incoming cases. On closer review we found that the reduction in the level of appeals from those geographic areas affected by the labor unrest was significant. However, in March 1990 we received 198 cases, up significantly from previous months and comparable with the same month a year ago.

COMMISSIONERS

Mr. Natcher: By statute, the Federal Mine Safety and Health Review Commission has five Commissioners and the Occupational Safety and Health Review Commission has three. In your opinion, is there a programmatic reason for the difference?

Mr. Ford: The legislative history indicates that the Federal Mine Safety and Health Review Commission with five members was patterned after the National Labor Relations Board. The Commission is authorized to act in panels of three members with a majority of each panel sufficient to decide a matter. It was the authorizing committee's intent to give the Commission a more flexible administrative organization in order to facilitate the efficient processing of cases. In addition, the Committee stated its belief that it was imperative that the Commission strenuously avoid unnecessary delay in acting upon cases. (Senate Report 95-181, pp 47-48).

With a three member Commission flexibility is lost which could impact on the decisional process. The absence of one Commissioner, for whatever reason, could render the Commission inoperative and thus delay the determination of pending issues.

Mr. Natcher: The terms of two of your five Commissioners will expire on August 30, 1990. Is it realistic to assume that there will be a full slate of Commissioners for all of 1991?

Mr. Ford: In the past the Commission has not encountered difficulties in filling its Commissioner positions. The past six appointments were confirmed by the Senate, three after nomination hearings and three without a hearing. Based on its approval history, the Commission does not foresee any obstacles to the confirmation of its Commissioner positions and feels that a full slate of Commissioners is realistic for all of 1991.

SETTLEMENTS

Mr. Natcher: Why do you project a 57% increase in the number of settlements and evidentiary hearings from 1988 to 1991?

Mr. Ford: The number of settlements and evidentiary hearings projected for FY 1991 is the same percentage of total dispositions as actually occurred in FY 1989. These percentages have also remained steady for the first five months of FY 1990. Activity in FY 1988 appears atypical because settlement approvals and evidentiary hearing dispositions in FY 1988 were below both FY 1987 and FY 1989 which accounts for the bulk of the 57% increase.

Mr. Natcher: The Commission can assess monetary damages up to $10,000. Has the authorized cap on damages increased since the original legislation creating the Commission passed?

Mr. Ford: There has been no amendment to the '77 Mine Act to change the monetary cap or any of its other provisions

Mr. Natcher: Do you think this is a realistic cap in today's market?

Mr. Ford: Ten thousand in today's dollars does not have the same value as it did in 1977 and there has been some movement in Congress to adjust or index Federal penalties. This would seem appropriate to achieve the same level of impact today that Congress perceived the sum of $10,000 would achieve in 1977.

Mr. Natcher: Does ~~the level~~ of the penalty have enough teeth to deter repeat violations?

Mr. Ford: Based on the fact that mine fatalities have decreased and mining in general is safer than before passage of the '77 Act, I believe the penalty is fulfilling its intent. In addition, Congress provided a wide latitude in penalty application through its special assessment provisions for operators who need added encouragement. The Mine Act is unique in that it provides for a number of sanctions against mine operators which can be unilaterally applied by MSHA without hearing or recourse to the courts, in addition to penalties to achieve compliance.

SALARY INCREASES

Mr. Natcher: Why doesn't your request include the cost of the 1991 salary increases mandated by the Ethics Reform Act of 1989?

Mr. Ford: In addition to certain executive salaries specifically set by the Ethics Reform Act, the Act permitted other increases to become effective through executive action. For example, increasing Senior Executive Service pay rates. Still undetermined are the General Schedule rates for supergrade positions such as the Commission's Administrative Law Judges. Since the total impact and cost of the Ethics Reform Act changes were not known at budget submission we could not include the cost of the salary increases. As a result the Commission's budget includes only the 3.5% General Schedule pay increase for FY 1991.

Mr. Natcher: How many of your staff positions are affected by the Act and what will it cost to provide the mandated salary increases?

Mr. Ford: Initially the Ethics Reform Act affected the five Commissioner positions paid under the Executive Schedule. Recently our two SES positions were added by Executive Order. We believe that ultimately our eleven Administrative Law Judges will also be affected for a total of 18 positions or 34% of the Commission's staff. We estimate that these increases could be in the $250-300,000 range.

TRAVEL

Mr. Natcher: For the last two years the Commission has requested a reprogramming to increase travel funds. Have the travel needs for 1991 been adequately addressed in this budget?

Mr. Ford: Yes, they have. Our travel needs coincide with the increasing demand for evidentiary hearings. We believe that our $105,000 request is adequate for FY 1991.

EQUIPMENT

Mr. Natcher: In 1990 the Commission requested and received funds to purchase equipment. It now appears that only half of the funds requested will be spent in this category. How have your equipment needs changed?

Mr. Ford: I don't believe that our equipment needs have changed although our current budget reflects less equipment funds than when it was submitted a year ago. As previously mentioned we needed additional travel funds to hold evidentiary hearings and there were other minor adjustments as we updated FY 1990 based on past year experience. The Commission still plans to continue upgrading its ALJ word processing equipment and to replace other equipment when it is no longer economically usable.

STAFFING

Mr. Natcher: The justification indicates that the average number of assigned case dispositions per judge have increased from 131 in 1988 to an anticipated 145 in 1991. Does this take into account that an additional administrative law judge will be hired in 1991?

Mr. Ford: Yes it does. Given appropriate workload levels the Commission plans to hire an additional administrative law judge in September 1990 and anticipates that judge will dispose of 95 cases during his first year with the Commission.

SPACE

Mr. Natcher: How much space does the Commission have at its three locations and how does this compare to the standard GSA space allocation of 135 square feet per employee?

Mr. Ford: The Commission has a total of 20,045 square feet of space classified as office space by the General Service Administration. This space not only includes office space but also dedicated hearing rooms, library facilities, and docket files. The Commission's space assignment exceeds the GSA space allocation goals. The lease at both our headquarters and Falls Church, Virginia locations expires in calendar year 1990. At both locations we have indicated that our hearings facilities could be more efficiently utilized if assigned on a shared use basis rather than being totally dedicated to the Commission.

The Commission is conscious of space costs. In FY 1988 our Denver office moved to a Federally owned building and co-located with the Occupational Health and Safety Review Commission where we share hearing and library facilities.

CITATIONS

Mr. Natcher: Provide a 5 year history table showing the percent of MSHA citations appealed to the Commission.

Mr. Ford: The information is as follows:

FY	MSHA Assessed Citations	Commission Cases Received	Percent
1989	156,729	1,889	1.21
1988	155,065	1,800	1.16
1987	131,453	1,579	1.20
1986	129,924	1,743	1.34
1985	129,142	1,490	1.15

DECISIONS

Mr. Natcher: According to last year's testimony, 75% of administrative law judge cases are initiated by the Labor Department. How often does the Commission find in favor of the Department?

Mr. Ford: The Commission does not keep records in whose favor a case is decided. However, in classifying the type of dispositions we could offer the following observation for our ALJ cases. Dispositions that do not involve settlement approvals or evidentiary hearings are normally defaulted or dismissed in favor of the Secretary. Most cases involve several citations with each citation subject to the six criteria for assessment of civil penalties. In most settlement proposals and evidentiary hearing cases each party

may prevail on a particular issue. As a result most settlements approvals and evidentiary hearing decisions are mixed with some issues found in favor of the Secretary and some in favor of the operator. Few cases involve single issues.

Commission decisions are the reverse. That is to say they are normally single issue cases. A review of those decisions for FY 1989 indicates an almost 50-50 Secretary/operator distribution.

CASE AGE

Mr. Natcher: Provide the age of the 26 cases remaining on the docket at the end of fiscal year 1989.

Mr. Ford: The average age of the docket of 26 cases at the end of fiscal year 1989 was 9.0 months. Eleven cases were under 7 months, 8 cases were between 7 and 12 months and 7 cases were between 14 and 21 months of age.

Mr. Natcher: Why does the Commission trace its timeliness in cases processing by computing the average age of the case rather than the median age, which is the method used by the National Labor Relations Board?

Mr. Ford: The Commission's ADP system was developed in 1985 replacing the manual system that had previously been in place. We note that the NLRB caseload is about fifteen times greater than the Commission's which may account for its different statistical application. While we could develop a median age statistic, we feel that continuation of the average age concept serves the Commission's statistical needs.

Mr. Natcher: What is the average age of cases decided by administrative law judges and how has this changed over the past three years?

Mr. Ford: The average age of a case decided by an administrative law judge was 120 days from assignment for fiscal year 1989. This compares to 162 days in FY 1986, 118 days in FY 1987 and 101 days in FY 1988.

During FY 1986-FY 1988 the Commission experienced a decrease in its inventory of cases. In FY 1989 there was an increase in the inventory of undecided cases which would have an effect on disposition averages.

SUNSHINE ACT

Mr. Natcher: Under what circumstances does the Commission close its meetings to the public?

Mr. Ford: Under the Government in the Sunshine Act the Commission, as an adjudicative body, could conduct all of its meetings in closed session. However, the Commission feels that it should hold as many of its meetings as possible in open session. There are also times when the Commission believes that meeting in closed session, under Sec. 552 b(c)(10) under the Government in the Sunshine Act is appropriate. Specific criteria that the Commission

uses in those instances is as follows: (1) after an oral argument to allow Commissioners to discuss the advocates' arguments frankly; (2) In highly sensitive cases involving such matters as claims of governmental wrongdoing or a disciplinary matter; and (3) In a complex or difficult case in the judgment of the Commission requiring closure to permit the fullest and frankest exchange of views.

Mr. Natcher: Provide a five year table of the total number of Commission meetings, indicating how many were open or closed or both.

Mr. Ford: The information follows:

FY	Total Meetings	Open	Closed	Open/Closed
89	33	18	4	11
88	27	20	1	6
87	31	16	8	7
86	32	13	10	9
85	32	21	9	2

DISPOSITIONS

Mr. Natcher: Provide a five year table that compares the number of ALJs on board to the number of cases received and decided in each of those years?

FY	ALJ/FTE	Cases Received	Total Dispositions
89	10.0	1,889	1,797
88	10.0	1,800	1,744
87	9.7	1,579	1,726
86	10.3	1,743	1,811
85	11.7	1,490	1,517

Mr. Conte: Mr. Ford, on page 11 of your justification you mention that the administrative law judges have become more "efficient" in deciding the appealed cases and that the average number of assigned cases per judge has increased by 11% since FY 88. What type of changes have made these efficiencies possible?

Mr. Ford: There have been no major changes in procedures since FY 88 in the conduct of deciding cases. We have, however, upgraded our case assignment system which has helped to group cases geographically as well as gauge their complexity. Efficiency comes with experience and our corps of judges have increased their experience in conducting adversarial hearings. We also believe that the use of prehearing conferences and conference discussions during the discovery process narrows the issues of dispute and aids in efficient case processing.

SETTLEMENTS AND EVIDENTIARY HEARINGS

Mr. Conte: Mr. Ford, I noticed that there was a big increase in the number of settlements, from 581 in 1988 to 856 in 1989. And an increase in the number of evidentiary hearings, from 239 in 1988 to 306 in 1989. What caused these dramatic changes?

Mr. Ford: Insofar as settlements are concerned there is no specific factor that will cause settlements to decrease or increase. Several factors usually contribute to such fluctuations.

In some instances the Commission will dispose of an issue which will impact on pending cases. Most cases, of course, will settle following resolution of the dispositive issues.

Another contributing factor is that what appeared to be a viable issue when filed, appears less so when the parties prepare for hearing before the Commission which provides a neutral forum for the determination of such issues.

Again, parties have to consider litigation costs as opposed to what they may obtain by way of ruling.

When the parties cannot reach a resolution, evidentiary hearings are conducted. Since the mining community is constantly improving its technology and mining practice, issues of first impression continue to occur. These first impression issues, along with imminent danger withdrawal orders and the issues of significant and substantial, and willful and negligent, continue to be presented in the evidentiary hearing process.

Mr. Conte: What percentage of the judges' time is consumed by evidentiary hearings and the approval of settlement proposals?

Mr. Ford: The majority of the judge's time is consumed in the discovery and prehearing process regardless of whether a case is settled or a decision after hearing is issued.

Time spent in discovery and prehearing may lead to the identification of all issues of difference, relevant facts and issues of law and may result in a mutually agreed settlement by the parties. After being presented with a settlement motion, settlement approvals are usually issued within 30 days. Last year 88% of the 856 settlement approvals were issued within 30 days of receipt of the settlement motion.

If issues of difference remain unresolved, the judge, now fully familiar with the case, proceeds with the evidentiary hearing. The average time to conduct an on-site evidentiary hearing is about two days. After reviewing the transcript and post hearing briefs, a decision is usually issued within 60 days. Last year, 81% of the Commission's 306 evidentiary hearing decisions were issued within 60 days of receipt of the post hearing brief.

While the time spent on the actual conduct of the evidentiary hearing or issuing the settlement decision is relatively small, the time spent in the discovery and prehearing process leading to settlement or decision consumes the majority of the judge's time.

ADDITIONAL STAFF

Mr. Conte: At a cost of $157 thousand, the Commission is seeking two additional FTE for the Administrative Law Judge Determination activity. Are the FTEs for the increased workload from the evidentiary hearings and settlements?

Mr. Ford: Yes, the two additional FTE in the ALJ activity are for the increase in case workload, and the added work associated with evidentiary hearings and the approval of settlement motions. However, only $108,000 is being requested for this purpose. A net increase of $57,000 is also requested to cover mainly the 1990 and 1991 pay increases of existing staff.

Mr. Conte: Will the additional FTEs allow you to completely take care of the increased work load created by the increases in evidentiary hearings and settlements?

Mr. Ford: The additional FTE will allow the Commission to begin to reduce its case inventory levels in 1991 and to maintain a current inventory in FY 1992 including the timely conduct of evidentiary hearings and approval of settlement motions.

Mr. Conte: What happens if you don't get the additional FTEs?

Mr. Ford: Should the Commission not receive funding for the additional FTEs the inventory of undecided cases will continue to increase and a backlog of unheard cases increases. As the time period between the issuance of the citation, the appeal, and its scheduled hearing increase, issues become clouded and witnesses become unavailable, prolonging the evidentiary hearing process and making the decisions process more difficult.

Mr. Conte: Is the Mine Safety and Health Administration doing anything in particular that inadvertently encourages the mine operators to appeal their cases?

Mr. Ford: The Commission is an independent adjudicatory agency and the Department of Labor's Mine Safety and Health Administration is a party in virtually all of our cases. As such we must be and are careful to maintain our neutrality. I do not have any knowledge of MSHA enforcement strategy or its inspection activities. Certainly, the increase in assessed violations by MSHA would be expected to provide some added level of appeals.

Mr. Conte: The terms of two commissioners will expire at the end of FY 90. What affect would not filling these vacancies have on the commission's ability to carry out its mission?

Mr. Ford: Three Commissioners acting as a panel can have all the powers of the Commission according to statute. There are, however, certain drawbacks to a three-member Commission. Flexibility is lost which could impact on the decision process. The absence of one Commissioner, for whatever reason, could render the Commission inoperative and thus delay the determination of pending issues.

Another consideration is the need for the affirmative vote of two Commissioners present and voting to grant a petition for discretionary review. The petitioning parties chances for review would thus be greatly diminished with a reduced body of Commissioners. The Commission operated in the past with only three Commissioners for a 14-month period. Experience gained during this period confirmed the benefits of having a five-member Commission.

AVERAGE VALUE OF CASES

Mr. Conte: In 1987 there were 2,110 violations with a total value of $700 thousand. In 1989 there were 2,696 violations with a total value of $1.239 million. The average value per violation increased from $332 in 1987 to $460 in 1989, or about 39 percent. How much of this increase is due to special assessments by MSHA?

Mr. Ford: The data referred to in this question represents the Commission's end of year inventory of cases. Without manually reviewing each case that was in the end of year inventory we do not know how many cases involve citations that are subjected to the special assessment process. We do know from data made available by MSHA that the number of special assessments increased from 4,557 in calendar year 1987 to 8,866 in CY 1988 and decreased to 6,930 in calendar year 1989. The dollar average of the special assessments were $569 in CY 1987, $525 in CY 1988 and $559 in CY 1989. Based on the increase in the number of specially assessed cases and the consistency of the dollar value I would expect that most of the increase in case inventory is due to special assessments.

APPEALS

Mr. Conte: Your decisions are appealed through the United States Courts of Appeal. How many of your cases are heard by that court each year? What is your approval rating?

Mr. Ford: Last year was an active year with twelve court decisions in which the Commission was affirmed in 9 cases, reversed in two cases and one case being both in part.

During the fiscal years 1985-1989 there were 45 case decisions in which the Commission was affirmed in 32 cases, reversed in 9 cases, with 4 cases being both in part.

In summary we are averaging 11 cases per year with an affirming rate of 71% and a reversal rate of 20%.

Mr. Conte: As the issues become more complex the need for hearing oral arguments will also increase. During FY 89 you held five oral arguments. How many do you expect for FY 90 and FY 91?

Mr. Ford: The Commission normally grants oral arguments when requested by the parties. To date in fiscal year 1990 we have had four oral arguments. Normally we have between four and eight oral arguments a year. We would expect this rate to continue for FY 1990 and 1991.

PAY RAISE

Mr. Conte: The executive pay raise will go into effect next January. How many Commission employees will this pay increase affect?

Mr. Ford: Currently seven employees will be affected by this pay raise; the five Commissioners and two SES. Still undetermined is the effect this increase will have on our eleven administrative law judge positions. It is possible that 18 employees will be affected or 34% of the Commission's staff.

Mr. Conte: Have you provided for this increase in your FY 91 budget?

Mr. Ford: No funds were included in the FY 1991 budget for executive pay increases. As previously discussed, the extent of the increase was not known at the time the budget was finalized.

Mr. Conte: What happens if you have to absorb the pay increase?

Mr. Ford: The Commission believes that absorption of these increases will have severe consequences on the agency both in cases dispositions and in staffing. It is believed that these increases could be in the $250-$300,000 range and could not be absorbed without major reductions in travel, court reporting services and personnel costs.

DEPARTMENT OF AGRICULTURE

Mr. Conte: Your personnel and payroll matters are handled through the Department of Agriculture. Do you have any problems with that arrangement?

Mr. Ford: The Commission believes that its contracting of personnel and payroll services with the Department of Agriculture is cost efficient and has major benefits. We have not encountered major problems. Issues that have been encountered are similar to those that occur with any small agency being part of a major automated system. Currently there are no unresolved issues.

SPACE

Mr. Conte: Your contract for office space is up for renewal next September. Does your budget assume a renewal at the same rate?

Mr. Ford: Our FY 1991 Budget Request contains $7,000 for a 1.3% increase in rental costs as forecast by the General Services Administration.

Mr. Conte: What if the rate changes?

Mr. Ford: In our space renewal requests for headquarters and Falls Church we have indicated that the Commission hearing facilities could be on a shared use basis rather than dedicated to our use. This change, we believe, could offset any increase in rate changes.

CASE BACKLOG

Mr. Dwyer: The Administrative Law Judges hear and decide contested cases, which have been initiated by the Secretary of Labor, mine operators and miners or their representatives. Despite a slight increase in fiscal year 1990 over 1989, the case backload continues to mount. In 1989, 1088 cases were pending at the beginning of the year and an addition 1889 were received. While 1797 were disposed of, 1180 were not. This year, the ALJs estimate that 1289 cases will not be settled and will be pushed into 1991 and joined by 1960 new cases; and a comparable number of cases will remain in the backlog in 1991. How old are the oldest cases in the backlog?

Mr. Ford: Thirty-two of the Commission's March 31 inventory of 1,088 cases are more than a year old. In addition, there are nine cases that have been placed on stay pending the outcome of similar issues being considered in the Federal Courts. Ten cases involving five operators are between 17 and 20 months old. Recently our judges were provided listings of all the older cases and were reminded of the Commission's desire that they be decided timely.

Mr. Dwyer: Are older cases given priority for resolution?

Mr. Ford: It is the Commission's objective to decide all of its cases promptly. Our Chief Judge reviews individual judge's dockets as cases are assigned. While we must be cognizant of the independent decisional process, we are attentive to resolution of our older cases. In some cases, there may be a protracted discovery process which could add to the age of a case. Although the ALJ decides the parameters for discovery and monitors their progress, differences may arise which may require determinations and the issuance of orders prior to hearing. Such issues could include, for example, the availability of records, the burden of their production or the availability of witnesses. As a result, each case proceeds at its own pace based upon its own unique circumstances.

Mr. Dwyer: What level of funding would the ALJs need to help them expedite the resolution of backlogged cases?

Mr. Ford: The Commission considers an inventory of 900 to 1,100 cases to be in the normal range of working "in process" cases for its corps of ten administrative law judges. As a result of the continued increase of new case filings in FY 1989 and anticipated in FY 1990 the Commission believes that its actual backlog is about 200 cases. We have requested funding for an additional administrative law judge in FY 1991 and anticipate that all backlogged cases will be decided by the end of FY 1992. Our budget request of $1,916,000 including its eleven administrative law judges and support personnel is sufficient for the timely disposition of cases.

Mr. Dwyer: How many of these backlogged cases are the result of decisions which were returned for additional consideration by the Commissioners?

Mr. Ford: None of the cases returned for additional consideration by the Commission are considered as backlogged cases. Remand cases have averaged about 20 cases a year for the past four years. As a result the Commission's impact of cases remanded to the judges is insignificant.

Mr. Dwyer: The five-member Commission hears appeals from Administrative Law Judge decisions. What is the number of backlogged cases awaiting Commission decision?

Mr. Ford: As of April 11, the Commission has a docket of 30 cases which is four more than at the beginning of the fiscal year. We anticipate an end of year docket of 26 active cases. We plan to hire an additional attorney within the next 90 days and have requested full funding for the position in FY 1991.

The Commissioners have met and acted upon 10 of these cases and they are in various stages of the final decision process. In eight cases, no analysis has begun since the briefing process by the parties has not yet been completed. The remaining 12 cases are in the analysis stage pending consideration by the Commissioners.

Mr. Dwyer: What is the age of the oldest case in the backlog?

Mr. Ford: The Commission has one case that is 26 months old. In this case the Commissioners decided administratively to hold the case in temporary abeyance to ascertain whether then pending court cases in the D. C. Circuit Court of Appeals would change the Commission's previous interpretations.

By July 1989 the Court had completed action on the three applicable cases and the case was returned to our active docket. The case is now in its final decision stage and should be issued within the next 60 days.

Mr. Dwyer: How much additional funding would be needed by the Commission to significantly reduce the backlog?

Mr. Ford: It has been the Commission's goal to have an inventory and a decision age of six months for the Commission's cases. We believe that our current inventory projection of 26 cases is an active inventory consisting of cases in various stages of consideration. As discussed in our budget submission we are requesting funding for an additional attorney. We believe that our FY 1991 budget request of $2,376,000 and 30 FTE for our Commission Review Activity is sufficient for meeting our disposition goals.

JUSTIFICATION OF THE BUDGET ESTIMATES

FEDERAL MINE SAFETY AND HEALTH REVIEW COMMISSION

JUSTIFICATION OF APPROPRIATION ESTIMATES

FOR COMMITTEE ON APPROPRIATIONS

FISCAL YEAR - 1991

FEDERAL MINE SAFETY AND HEALTH REVIEW COMMISSION

SALARIES AND EXPENSES

FY 1991 Budget	Page No.
Appropriation language and explanation of language.....	1
Amounts available for obligation.....	2
Summary of changes.....	3
Obligations by activity.....	4
Obligations by object.....	5
Authorizing legislation.....	6
Justification:	
General Statement	7
Activities:	
(1) Commission Review	8
(2) Administrative Law Judge Determinations	10
Selected Workload Data.....	12
Detail of Permanent Positions.....	13

FEDERAL MINE SAFETY AND HEALTH REVIEW COMMISSION

For expenses necessary for the Federal Mine Safety and Health Review Commission (30 U.S.C. 801 et. seq.), [$4,030,000] $4,292,000. [Department of Labor, Health and Human Services, and Education, and Related Agencies Appropriation Act, 1990.]

Explanation of Language

Section 113 of the Federal Mine Safety and Health Amendments Act of 1977 established the Federal Mine Safety and Health Review Commission as an independent Agency. Section 114 of the Act authorized to be appropriated, out of monies in the U.S. Treasury not otherwise appropriated, such sums as may be necessary to carry out the provisions of the above-mentioned Act. The above appropriation language proposal is intended to carry out these provisions.

AMOUNTS AVAILABLE FOR OBLIGATION

	1989		1990		1991	
	FTE	Amount	FTE	Amount	FTE	Amount
Appropriation or estimate	51	3,936,000	51	4,030,000	53	4,292,000
Total, Amounts Available for Obligation	51	3,936,000	51	4,030,000	53	4,292,000

SUMMARY OF CHANGES

1991 Estimated Obligations	$4,292,000
1990 Estimated Obligations	$4,030,000
Change	+$262,000

CHANGE FROM FY 1990

Increases:

FY 1990 Pay Annualization	+ 28,000	
FY 1991 Projected Pay Increase	+ 80,000	
Additional FTE (2.5)	+118,000	
Extra Day in 1991	+ 13,000	
Added Salary for Existing Staff	+ 15,000	
Total Added Salary and Benefits		+254,000
Additional Travel, hearings and support costs for administrative law judges		+ 16,000
Increased GSA Space Rental		+ 7,000
TOTAL INCREASES		+ 277,000

Decreases:

Anticipated savings in communications expenses from FTS 2000		- 15,000
TOTAL DECREASES		- 15,000
CHANGE		+$262,000

OBLIGATIONS BY ACTIVITY

	1990		1991		Increase or Decrease	
	FTE	Amount	FTE	Amount	FTE	Amount
Commission Review	30	2,271,000	30	2,376,000	--	+ 105,000
Administrative Law Judge Determinations	21	1,759,000	23	1,916,000	+2	+ 157,000
Total Obligations	51	4,030,000	53	4,292,000	+2	+ 262,000

OBLIGATIONS BY OBJECT

	1989 Actual	1990 Estimate	1991 Request	Increase or Decrease
Total number of permanent positions authorized	56	56	56	--
Average number of all employees	51	51	53	+ 2
Average GS Grade	10.96	10.96	10.96	--
Average GS Salary	43,089	44,890	45,101	+ 211
Personnel Compensation:				
Permanent Positions	2,441	2,515	2,738	+ 223
Personnel Benefits	378	397	428	+ 31
Benefits for Former Personnel	16	--	--	--
Travel and Transportation of Persons	94	101	105	+ 4
Transportation of Things	1	--	--	--
Rental Payments to GSA	500	524	531	+ 7
Communications, Utilities and Miscellaneous Charges	139	139	126	- 13
Printing and Reproduction	31	31	31	--
Other Services	262	265	275	+ 10
Supplies and Materials	58	53	53	--
Equipment	18	5	5	--
Total, Obligations by Object	3,936	4,030	4,292	+262

AUTHORIZING LEGISLATION

	FY 1990 Enacted	FY 1991 Request
Authorizing Legislation Containing Indefinite Authority		
Federal Mine Safety and Health Amendments Act of 1977, (30 U.S.C. 823-824)	4,030,000	4,292,000

JUSTIFICATION

	1990 Estimate		1991 Request		Increase or Decrease	
	FTE	Amount	FTE	Amount	FTE	Amount
Commission Review	30	2,271,000	30	2,376,000	--	+105,000
Administrative Law Judge Determinations	21	1,759,000	23	1,916,000	+2	+157,000
Total Obligations	51	4,030,000	53	4,292,000	+2	+262,000

GENERAL STATEMENT

The Federal Mine Safety and Health Review Commission was established as an independent agency by Section 113(a) of the Federal Mine Safety and Health Amendments Act of 1977. It is not part of the Department of Labor or the Mine Safety and Health Administration.

The Commission is charged with the responsibility of reviewing the enforcement activities of the Secretary of Labor and protecting miners against unlawful discrimination. The Commission operates through its Administrative Law Judges to hear and decide cases at the trial level as initiated under the Mine Act by the Secretary of Labor, mine operators, miners, and miners' representatives.

The five-member Commission sits to hear appeals from Administrative Law Judge decisions. The Commission may review these decisions by granting a Petition for Discretionary Review from one or more of the parties or by directing review sua sponte.

COMMISSION REVIEW

	1989 Actual		1990 Estimate		1991 Request		Increase	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
Commission Review/ Total Obligations	30	2,212,000	30	2,271,000	30	2,376,000	--	+105,000

Introduction

The responsibility for the review of Administrative Law Judges' decisions is defined in Section 113(d)(1) of the Act. The Act states that an Administrative Law Judge's decision shall become final 40 days after its issuance, unless within that period two of the Commissioners direct that the decision be reviewed.

Most cases come before the Commission when two or more Commissioners vote to grant a Petition for Discretionary Review filed by a person adversely affected or aggrieved by the Administrative Law Judge's decision. Petitioners may include miners (with or without legal representation), miners' representatives, mine operators and the Secretary of Labor. Two Commissioners may also direct any case for review sua sponte (on their own motion, without the parties filing any petition). Sua sponte review is limited to determining whether an Administrative Law Judge's decision is contrary to law or Commission policy, or deciding a novel question of policy which the case presents.

1991 Budget Policy

The Commission is requesting an increase of $105,000 for its Review Activity in fiscal year 1991. Included in this amount is $65,000 for annualization of the FY 1990 pay increase and the proposed 3.5% General Schedule pay increase in FY 1991. No funding has been included in the FY 1991 budget for salary changes associated with the Ethics Reform Act of 1989. The sum of $46,000 is being requested to maintain existing Commission staff. This amount covers an additional one-half staff year of employment, an extra work day, and a slight increase in other support costs. These increases are partially offset by $6,000 in anticipated savings in communications from implementation of the government-wide FTS-2000 program.

A total of 67 new cases are anticipated for review by the Commission during fiscal year 1991 and 67 dispositions are expected, resulting in an end of year caseload of 26. During FY 1989, the Commission has operated with a full complement of five Commissioners. During the current year the term appointment of two of the five members will expire on August 30, 1990. However, the Commission is anticipating having and has budgeted for a full complement of five Commissioners in FY 1991.

For FY 1990, the Commission is projecting a total case intake of 63 new cases, and a total case disposition of 63. During the first quarter of fiscal year 1990 (October 1 - December 31, 1989), the Commission received 25 new cases. During this same time period it has issued 14 substantive decisions and denied 10 petitions and other requests for review, for a total case disposition of 24. In addition, the Commission has a number of other cases in process of being issued as decisions and expects by the end of the second quarter to have issued approximately half of its projected annual substantive case dispositions. The average age of the 27 matters pending on the Commission's docket as of December 31, 1989 is 7.1 months. The Commission is striving to end the current fiscal year with both docket and issuance ages in the 6-month range.

As in the past, petitions for discretionary review represent the majority of the Commission's new case workload. Approximately two-thirds of petitions for discretionary review in 1990 and 1991 are expected to be heard by the Commission.

In FY 1989, the Commission received 52 cases for review. During the past year it issued 47 substantive decisions and denied 16 petitions on review, for a total case disposition of 63. The average age of the 26 cases pending on the Commission's docket at the end of FY 1989 was 9.0 months. The average age of the 47 substantive decisions was 9.4 months.

As issues become more complex and new areas of law explored, it is important that the parties involved have an opportunity to present their case and to respond face to face to questions asked during the oral argument process. Oral arguments continue to be an important part of the Commission's decision process. During FY 1989, five oral arguments were held.

The Commission attempts to hold as many meetings as possible in open session and of the 33 meetings held in FY 1989, 18 were open, 4 were closed and 11 were partially closed and partially open.

ADMINISTRATIVE LAW JUDGE DETERMINATIONS

	1989 Actual FTE	1989 Actual Amount	1990 Estimate FTE	1990 Estimate Amount	1991 Request FTE	1991 Request Amount	Increase or Decrease FTE	Increase or Decrease Amount
Administrative Law Judge Determinations/ Total Obligations	21	1,725,000	21	1,759,000	23	1,916,000	+ 2	+ $157,000

Introduction

The Commission employs a corps of Administrative Law Judges to hear and decide contested cases at the trial level, as initiated by the Secretary of Labor, mine operators, and miners or their representatives. The judges are also responsible for evaluating and approving or denying settlement agreements under the Mine Act.

The Agency maintains two offices of Administrative Law Judges: one in Falls Church, Virginia and one in Denver, Colorado. Administrative Law Judges travel from these offices to hearing sites located at or near the mine involved in order to afford miners and their representatives the full opportunity to participate.

1991 Budget Policy

At the Administrative Law Judge Level, the Commission is requesting an increase of $157,000. Included in this amount is $108,000 for the annualization of salary, travel, and hearing costs for an additional administrative law judge and secretary. An additional $58,000 is requested to fund existing staff costs in FY 1991. This amount includes funding for the annualized FY 1990 pay increase, the proposed 3.5% General Schedule pay increase in FY 1991, an extra workday, and a slight increase in other support costs. These increases are partially offset by $9,000 anticipated savings in communications from implementation of the Government-wide FTS-2000 program.

A total of 1,960 new cases are anticipated for FY 1991, the same as in FY 1990. As a result of the continued increase in the inventory of undecided cases and the high level of new cases anticipated in FY 1991, the Commission believes that it is appropriate to hire an additional administrative law judge and secretary during FY 1990. With full staffing anticipated in this activity, dispositions are projected to total 1,975 for the year, leaving an end of year inventory of 1,274 cases, a slight reduction below FY 1990. Although the Commission has no control over the new case filings, proposed activities of the Department of Labor's Mine Safety and Health Administration, such as regular inspections, assessed citations, and mining

regulation changes, as well as past year incoming case levels, tend to support the Commission's workload estimates.

The Commission's administrative law judges continue to gain efficiency in deciding appealed cases. While the average number of assigned case dispositions per judge has increased from 131 in FY 1988 to an anticipated 145 in FY 1991 (11%), the number of dispositions requiring evidentiary hearings or settlement approvals have increased from 820 in FY 1988 to an estimated 1,292 in FY 1991 (57%). These case dispositions requiring evidentiary hearings and approval of settlement proposals consume the majority of the judges' time.

Considering these workload factors the Commission believes that with the increased funding and FTE requested, it can effectively and efficiently meet the case output estimate.

In fiscal year 1990, 1,960 new cases are anticipated and case dispositions are expected to total 1,851, leaving an end of year inventory of 1,289 cases.

During the first quarter of FY 1990 (October 1 - December 31, 1989), the Commission's judges received 360 new cases and disposed of 454. Although the number of new cases received are below anticipated levels, incoming cases are expected to reach the FY 1990 estimate by the end of the fiscal year.

At the beginning of fiscal year 1989, there were 1,088 cases pending in the Office of the Administrative Law Judges. During the year, the office received 1,889 cases and disposed of 1,797. Three hundred and six dispositions required evidentiary hearings. In addition, the Commission judges approved 856 settlement proposals. Cases pending before the administrative law judges totaled 1,180 at the end of fiscal year 1989.

SELECTED WORKLOAD DATA

	1989 Actual	1990 Estimate	1991 Request
Administrative Law Judge Determinations			
Cases pending beginning of year	1,088	1,180	1,289
New Cases Received.....	1,889	1,960	1,960
Case Dispositions.....	1,797	1,851	1,975
Commission Review Activities			
Cases Pending Beginning of Year.....	37	26	26
New Cases:			
* Petitions for Discretionary Review...	44	51	54
* Other.....	8	12	13
Total New Cases.....	52	63	67
Total Case Workload.....	89	89	93
Dispositions:			
* Substantive Case Dispositions.....	47	47	49
* Other.....	16	16	18
Total Dispositions.....	63	63	67

DETAIL OF PERMANENT POSITIONS

FEDERAL MINE SAFETY AND HEALTH REVIEW COMMISSION

	1989 Actual	1990 Estimate	1991 Request
Executive Level III	1	1	1
Executive Level IV	4	4	4
Subtotal	5	5	5
ES-4	2	2	2
Subtotal	2	2	2
GS-17	1	1	1
GS-16	10	10	10
GS-15	6	6	6
GS-14	2	2	2
GS-13	4	4	4
GS-11	1	1	1
GS-10	1	1	1
GS-09	5	5	5
GS-08	4	4	4
GS-07	8	8	8
GS-06	3	3	3
GS-05	2	2	2
GS-04	2	2	2
Subtotal	49	49	49
Total Permanent Positions	56	56	56
Unfilled Positions End of Year	- 8	-3	- 3
Total Permanent Employment End of Year	48	53	53

THURSDAY, MARCH 29, 1990.

CORPORATION FOR PUBLIC BROADCASTING

WITNESSES

DONALD E. LEDWIG, PRESIDENT AND CHIEF EXECUTIVE OFFICER
FRED DeMARCO, VICE PRESIDENT, STATION RELATIONS AND TREASURER

Mr. NATCHER. At this time, we take up the budget request for the Corporation for Public Broadcasting.

We have before the committee Mr. Donald E. Ledwig, the President and Chief Executive Officer. Who do you have with you there at the table, Mr. Ledwig?

Mr. LEDWIG. I am accompanied by Frederick DeMarco, Vice President of Station Relations and Treasurer.

Mr. NATCHER. We will be pleased to hear from you at this time.

Mr. LEDWIG. With your permission, I will summarize my written statement, but ask that my complete statement be included in the record.

Mr. NATCHER. Without objection.

STATEMENT SUMMARY

Mr. LEDWIG. I wish to thank this subcommittee for its support in consistently approving appropriation levels that have allowed public broadcasting to maintain and improve the quality of broadcasting services available to the American public.

Today the Corporation requests an appropriation for general system support of $285,000,000 for fiscal year 1993. We also request an additional appropriation of $66,940,000 to complete the replacement of our satellite interconnection system.

CPB recognizes that 1990 continues to demand fiscal constraint. We appreciate the hard choices that this subcommittee faces in funding important programs in health, education and other areas.

We believe, however, that public broadcasting holds one of the keys to meeting the goals of this subcommittee, thus making it penny for penny—and that is less than 37 cents a month for a family of four to be exact—an increasingly wise investment.

We use the word "investment" because the commitment of funds to public broadcasting provides a much greater return in terms of programming and services that reflects the needs of our diverse Nation. Our hallmark national programming continues to set the industry standard.

In-depth and incisive news programming on public television and radio, children's programming that enjoys the trust of millions of parents, educational programming that utilizes television's full potential, and in addition, the educational services of public television reach far beyond the boundaries of traditional television programs.

Today, public broadcasting is a Soviet instructor in Moscow teaching Russian to American students and a teacher in Lincoln, Nebraska teaching Japanese to students nationwide via satellite.

But public broadcasting is not merely educational or entertaining programs. One of the most exciting features of public broadcasting is its promotion of community outreach that involves viewers in important social issues at the local level. The Public Television Outreach Alliance, which CPB helped create and continues to fund, has focused attention and generated action on Project Literacy U.S., or the PLUS project, drug and alcohol addiction, child abuse, the critical need for child care, AIDS, and in 1990, the environment.

In public radio, outreach programming ranges from examining the increasing incidence of fetal alcohol syndrome among Native Americans to the disproportionate effect of AIDS on Black America.

Last night, Mr. Chairman, National Public Radio celebrated its 20th anniversary here in Washington. The Corporation for Public Broadcasting is deeply grateful to you, Mr. Chairman, and to this subcommittee for your support for public radio stations and CPB's efforts to create National Public Radio 20 years ago.

Your efforts have supported National Public Radio's programming since that time, rescued it from financial difficulties at one point, and helped to finance its first satellite, and, we hope at this hearing, lead to appropriating enough money to complete the financing of its replacement satellite.

CPB appropriations also enable the Corporation to help develop new technologies such as the use of closed-captioning for the hearing impaired, enable stations to bring educational programming into 64,000 schools and 3,000 colleges and universities; promote the linkage of video programming with computer programming and most recently, spur the development of the Descriptive Video Service, which allows the sight-impaired to lock-in on the wonders of television by providing a narrative description on the separate audio program channel that is available on stereo television sets.

The benefits of your investment now reaches 94 percent of the U.S. population in the case of public television (as compared to only 55 percent for cable) and 86 percent can receive a public radio signal.

Mr. Chairman, CPB's request for a total appropriation of $351,940,000 will fund a multitude of programs and services, but three in particular. First is the need to maintain the vitality of public broadcasting programs and services with the replacement of the satellite interconnection system.

Second, the full funding of CPB will assist in the plan to improve national public television programming.

And third, an appropriation of $285,000,000 for general operations will allow for continued expansion of public radio.

Mr. Chairman, CPB and public broadcasting are justifiably proud of our past achievements in education, outreach, and providing diverse programming. But it is clear that we will not be able to meet the challenges of the next decade and the 21st century if we continue to inch along behind the rate of inflation.

In 1982, CPB received $172,000,000 in appropriations. In 1992, we will receive $251,000,000. Using 1982 as a base year, this means that the purchasing power of the 1992 appropriation is equivalent to $177,100,000, or an increase of only 3 percent in real dollar terms. This compares to the increase in the size of the public broadcasting system from 557 stations, that is both radio and television, in 1982, to 726 stations in 1992, a system size increase of 24 percent.

For these reasons, Mr. Chairman, CPB must request the full appropriation of $285,000,000 for fiscal year 1993 for general systems support and the final installment on satellite replacement of $66,940,000.

In the past, Congress has taken the lead and the risk by appropriating funding to CPB in response to our request. I do not believe we have ever failed to deliver more than we have promised in those requests. I assure you that we will continue to do our best to continue that record.

Thank you. I shall be pleased to respond to any questions you may have.

[The prepared statement of Donald E. Ledwig follows:]

CORPORATION FOR PUBLIC BROADCASTING

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STATEMENT OF

DONALD E. LEDWIG

PRESIDENT AND CHIEF EXECUTIVE OFFICER

CORPORATION FOR PUBLIC BROADCASTING

BEFORE THE

SUBCOMMITTEE ON

LABOR, HEALTH AND HUMAN SERVICES,

EDUCATION, AND RELATED AGENCIES

OF THE

COMMITTEE ON APPROPRIATIONS

U.S. HOUSE OF REPRESENTATIVES

APPROPRIATIONS FOR 1993

MARCH 29, 1990

INTRODUCTION

Mr. Chairman and members of the subcommittee, as president and chief executive officer of the Corporation for Public Broadcasting (CPB),[1] I appreciate this opportunity to testify in support of the Corporation's fiscal year 1993 appropriations.

I wish to thank this subcommittee for its support in securing funding for the first two years of our current authorization at levels that allowed public broadcasting to maintain the quality of programming and services to the American public that is recognized as the standard in all of broadcasting. The continued recognition of public broadcasting's superb programs in the major industry awards for quality such as: Emmys for best television program or series, Academy Awards nominations for best documentary and half of all of the DuPont-Columbia awards for broadcast journalism this year (including the highest award), would not have been possible without your support. For that we are deeply grateful.

Today the Corporation requests an appropriation for general system support of $285 million for fiscal year 1993. We also request an additional appropriation of $66.94 million to complete the replacement of our satellite

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[1] CPB is a nonprofit, nongovernmental corporation authorized by the Public Broadcasting Act of 1967 to facilitate the full development of public telecommunications and distribution of high-quality public service programs to all Americans. On November 7, 1988, President Reagan signed the Public Telecommunications Act of 1988, Public Law 100-626, authorizing CPB for fiscal years 1991 through 1993. Its enactment was the product of strong bipartisan Congressional support and reenforced this nation's continued commitment to invest in public broadcasting as a means of promoting the public interest.

interconnection system. Of the $200 million authorized by Congress for satellite replacement in 1988, $133.06 million has been appropriated. This request is for the remainder of the authorized funds.

I. PUBLIC BROADCASTING - A COST-EFFECTIVE INVESTMENT

Mr. Chairman, 1990 marks a time of change for public broadcasting; a time when pride in our achievements is tempered by our appreciation for the challenges and opportunities that lie ahead. But CPB believes that future achievements depend greatly on public and Congressional commitment to meet those challenges and opportunities.

CPB recognizes that 1990 continues to demand stringent fiscal restraint and a sensible reordering of priorities within a framework that promotes the most beneficial and efficient programs. We are well aware that, within the jurisdiction of this subcommittee alone, there are scores of programs that offer promise and hope in meeting one of life's basic necessities, improved health care, as well as such other societal goals as raising educational standards and providing better and safer working environments for America's workforce. When it comes to choosing among worthy programs, CPB recognizes and appreciates the hard choices that this subcommittee faces. CPB also believes, however, that one of the keys to meeting the needs these programs represent is held by public broadcasting, thus making it penny for penny (less than 37-cents a month for a family of four to be exact) an increasingly wise investment.

II. THE PUBLIC'S RETURN-ON-INVESTMENT

We use the word "investment" because the commitment of public funds to public broadcasting provides a much greater return in terms of the wealth of diverse alternative programming and services to the millions who view or

listen. By offering a free, comprehensive educational and cultural telecommunications service, public broadcasting stands alone in meeting the public interest goal of providing quality, alternative programming to the American people. If one believes that time is the stuff that life is made of, then improving the quality of the way people spend that time improves the quality of life in America.

A. Unparalleled Programming

Long recognized for its unsurpassed quality, the programming provided by public broadcasting remains unobtainable on any consistent basis commercially. This programming includes: in-depth and incisive news (such as public television's The MacNeil/Lehrer NewsHour and public radio's All Things Considered, and Morning Edition); documentaries that seriously examine public affairs issues and challenge the audiences' point-of-view (Frontline); children's programming that continues to enjoy the trust of millions of parents who rely on it as a haven and an educational tool for their youngsters (Sesame Street, DeGrassi High, Reading Rainbow and Mr. Rogers' Neighborhood); and, programming that successfully utilizes the full educational potential of television (Square One and 3-2-1 Contact). For evidence of the value of public television's children's programming, check the "Children's Fare" column of the Washington Post's weekly television guide. In one recent week, 31 of the 32 recommended programs for children were on public television. (See Appendix)

In addition, public broadcasting awakens the American conscience through daring cultural documentaries such as (The American Experience, Eyes on the Prize and Eyes on the Prize II); brings the theater to Topeka, opera to Oneonta and drama to Des Moines, in many cases to people who would otherwise be unable to experience them (Great Performances and American Playhouse); and, sensitizes public awareness of major social concerns with outreach programming

covering such critical issues as childcare, literacy, AIDS, and the environment.

More important, public broadcasting is an investment because it yields a hefty return-to-the-public in the form of its traditional strengths: educational services, local and nationwide service, and diverse programming that reflects the entire fabric of America's racial and ethnic heritage. Whether it is a Soviet instructor in Moscow teaching Russian to American students or a teacher in Lincoln, Nebraska teaching Japanese to students nationwide via public television satellite, public broadcasting is expanding the horizons of traditional classroom learning. Whether it is sharing with all Americans the experiences of residents of Fort Wayne, Indiana, in grappling with the crisis of AIDS in their community (America in the Age of AIDS); or whether it is providing the catalyst to millions of people working with local task forces in cities such as Tampa, Philadelphia, Cincinnati, or San Antonio, and states such as Iowa, South Carolina, Nebraska and Kentucky, to bring communities together to develop new methods to combat illiteracy, public broadcasting is applying its resources to addressing the nation's most pressing social needs.

B. A Partner in Education

Public broadcasting is an investment for our youth and their education. Last month, the Department of Education reported that one common thread found among low achieving students was that they spend an inordinate amount of time watching television -- more than seven hours per day for the average American, according to a Nielsen study. Yet, educators credit public television with better preparing youngsters academically than children who do not view our programs, raising the question: How can we steer more audiences to the potential benefits of television which are found overwhelmingly on public television?

One way is by taking the fullest advantage of the decades-old partnership between public television and educators who together are adapting to the nation's rapidly changing technologies and demographics. Today, the educational services of public television, the very roots of which are in education, reach far beyond the boundaries of traditional instructional television (ITV) programs, embracing new technology and focusing on lifelong learning. Public television is expanding the learning environment beyond the traditional lecture and textbook methods. By bringing instructional signals into the classroom by satellite and beaming informational programming into the home and workplace, public television has successfully enhanced educational capabilities even as other factors have combined to break educational standards down.

We believe firmly that, with adequate resources, public television can continue to hold one of the keys to reversing the downward trend in academic achievement and reinvigorating America's education system. Already public television provides educators with:

- 1,500 instructional television (ITV) program hours nationally every year over the National ITV Satellite Schedule (NISS);
- computer linkages such as Learning Link that enhance broadcast instruction; resources directly related to curricula, such as programming and study guides and textbook correlation; and,
- services to reach and instruct children and adults outside the classroom, including mentoring efforts and televised General Educational Development (GED) programs for high-school equivalency certificates.

In short, public television can cut through budget constraints and topple distance barriers by providing inexpensive access to educational programming and instruction of the highest quality that may not be available otherwise.

C. A True National Service

But the public investment yields more than programmatic and educational returns. It has also resulted in the development of a public

telecommunications system that benefits all fifty states, Guam, American Samoa, the Virgin Islands, and Puerto Rico. In the early years, CPB appropriations focused on the development of this infrastructure and on the creation of the Public Broadcasting Service (PBS), National Public Radio (NPR), and the first entire satellite interconnection system in broadcasting. With Congressional approval of the final installment for satellite replacement, the second generation satellite interconnection system will be ensured well into the next millennium without any significant diversion of public broadcasting's programming dollars.

CPB appropriations also enable the Corporation to help develop such technologies as the use of closed-captioning for the hearing-impaired; enable stations to bring educational programming into 64,000 schools and 3,000 colleges and universities; promote the linkage of video programming with computer programming; and, most recently, spur the development of the Descriptive Video Service (DVS) which allows the sight-impaired to lock in on the wonders of television by providing actual narrative description, thus bringing us even closer to our goal of serving all audiences.

The benefits of this infrastructure now reach 94-percent of the U.S. population in the case of public television (as compared to 55-percent in cable), and 86-percent receive public radio signals. During an average week, 101 million people view public television, and nearly 12 million listen to public radio.

III. CPB'S STEWARDSHIP OF FEDERAL APPROPRIATIONS

How exactly does the Corporation maximize the return on the public investment through Congressional appropriations? Or, put another way, what measures and initiatives are being taken by CPB to ensure that the public trust is being kept and the mission of public broadcasting vigorously pursued?

A. Direct Grants to Qualifying Stations

The bulk of CPB's appropriation is expended in the form of Community Service Grants (CSGs),[2] for the use of public radio and television stations which first must raise substantial non-federal support on their own and then meet other basic criteria. In addition to CSGs, CPB provides program grants to public radio stations, in the form of National Program Production and Acquisition Grants (NPPAGs),[3] to use at their discretion to produce or buy national programming.

B. CPB Program Development

The most direct and visible method of the Corporation's efforts to further the mission of public broadcasting is through CPB's Radio and Television Program Funds which provide funding for public radio and television programming that reflects national programming priorities, particularly for children and minorities. Each year CPB considers proposals from independent producers and public television stations through an Open Solicitation process. Through the TV Program Fund, CPB has initiated many of public television's hallmark series and programs, including: Frontline, American Playhouse, the MacNeil/Lehrer NewsHour, WonderWorks, and The American Experience. CPB continues to support these and other signature programs such as Great Performances as well as identifying and nurturing new and diverse programming.

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[2]The portion of CPB appropriations allocated to CSGs is set by law and is currently 66.24 percent. During the 1980s this percentage was raised by Congress from 59 percent, in part to soften the effect on stations of sharp reductions in CPB appropriations during the early 1980s. CSGs are used by television and radio stations to produce and acquire programming and to finance production equipment and facilities or pay for satellite interconnection services. During Fiscal Year 1993, CSGs are projected to be $188.8 million, based on an appropriation of $285 million.

[3]In Fiscal Year 1993, based on an appropriation of $285 million, CPB will award approximately $14.7 million (or 5.2 percent of the CPB appropriation) to public radio stations in the form of NPPAGs.

Radio programs initiated and supported by CPB include: Marketplace, Latin File, Fresh Air, Morning Edition, and All Things Considered. In 1990, the CPB National Radio Program Production Fund selected projects that are illuminating, inspiring as well as appealing; take programmatic risk; and, advance public radio's mission of serving an increasing number of Americans. For example: Afropop Worldwide, a weekly hour-long program brings popular African music to America; After Columbus, a documentary series that will commemorate the 1992 Columbian Quincentenary from the viewpoint of Native Americans; and, Vanishing Homelands, a documentary series that explores the displacement and loss of culture of millions of people throughout the America caused by international development, and agricultural and national colonization projects.

In addition, CPB is the leader in supporting multi-cultural productions. In 1989, 39 percent of the Corporation's discretionary dollars for programming, through the CPB Television Program Fund, went to multi-cultural, people-of-color programs. This year, during the first round of Open Solicitation, the Corporation received 491 proposals, 155 of which are from minority producers. Of the 16 programs or series selected by the CPB National Radio Program Production Fund, eight are productions by or about racial and ethnic minorities valued at approximately 46 percent of budgeted funds. An additional 29 percent will go to continued funding of Fresh Air and Marketplace, which have demonstrated over time that they are more efficient and effective than the average national or local program in serving African-American and Hispanic audiences.

C. Community Outreach

One of the most exciting features of CPB's Television Program Fund is the community outreach efforts to involve and inform viewers on important social issues. The Public Television Outreach Alliance, which CPB helped create and

continues to fund, has focused attention and generated community action on such issues as drug and alcohol addiction, child abuse, the critical need for childcare, AIDS and, in 1990, the environment.

Another major outreach programming effort supported by CPB is Project Literacy U.S. (PLUS) which combats illiteracy among the 27 million functionally illiterate adults in this country. Since its inception in 1986, the personal support and active involvement of now First Lady, Barbara Bush, has been vital to the success of PLUS.

In 1989, public television stations and AIDS prevention organizations nationwide joined forces in an awareness and outreach campaign to help communities better understand and cope with the AIDS epidemic. The project, America in the Age of AIDS, with major funding from CPB, was the largest of its kind ever mounted by public television.

Also, when health officials noted an alarming increase of AIDS in teenagers, CPB and the Outreach Alliance sponsored a nationwide High School AIDS Education Video Contest in order to better inform this historically difficult to reach group of the risks associated with AIDS. The effects of this outreach effort were overwhelming. Local high school students nationwide entered videos, with 38 reaching the finals and nine incorporated into a 25-minute AIDS education video and teacher guide called, "STOP AIDS!" which was then distributed to more than 2,000 high schools and community agencies across the nation. But it didn't stop there. To date, more than 120 commercial television stations have requested copies of the video or video release clips for use in their news broadcasts.

And, in public radio, outreach programming efforts range from examining the increasing incidence of fetal alcohol syndrome among Native Americans to the disproportionate effects of AIDS on Black America. In addition, in 1990 the CPB National Radio Program Production Fund will support the production of

Voices of New America, a series of town meetings exploring an array of contempory national problems including: drugs, housing, immigration, health care and race relations.

This year, CPB has brought on board to work with public television five major educational groups representing 8.6 million educators and parents in support of "OPERATION EARTH," a year-long focus on the environment. A major highlight of this project is the hour-long documentary, "Profit the Earth," which coincides with the first day of "Earth Week" prior to Earth Day on April 22. The documentary, underwritten in part by CPB, focuses on people who are making a difference, from economists who believe market forces can be harnessed to protect the environment to entrepreneurs who are finding business opportunities in the environmental crisis.

D. CPB Educational Efforts

Mr. Chairman, there is one area of CPB's operations which deserves particular mention: CPB's education activities. CPB, in cooperation with the Public Broadcasting Service, regional networks and local stations has developed an effective network of alliances with educators, businesses, and community groups to provide the tools to help learners of all ages:

- Instructional programming. CPB has funded more than 20 instructional television (ITV) programs and series for K-12 classrooms;
- Instruction via satellite. The Satellite Educational Resources Consortium (SERC), a partnership between CPB, public television and state education departments, will deliver more than 1,900 hours of live interactive instruction this school year to high school students in 19 states and four communities;
- Adult learning and illiteracy. CPB's and public television's commitment to lifelong learning includes offering educational programming targeted to adults who need to certify educational competence (G.E.D. on TV), as well as programs aimed at increasing literacy for Americans of all ages;
- Study guides and educational materials. CPB and local stations provide teachers and parents with materials that help teachers use programming effectively, such as instruction and study guides, support materials, and video; and,

- Raising awareness. CPB has implemented a major initiative to increase the awareness of teachers and parents of the value of public television as a teaching tool.

E. CPB Accountability for Federal Dollars

Besides the more visible achievements of CPB's Television Program Fund and its educational efforts, the Corporation must maintain accountability for federal dollars. As stewards of the public trust, CPB has developed business practices that ensure efficient and effective expenditures of tax dollars through the internal and external auditing system of CPB-funded stations, programs, and activities.

F. CPB Research and Planning

CPB also conducts critical research and planning on national goals and priorities for programming needs (the creation of the Public Television Outreach Alliance and the development of the successful business plan for National Public Radio are only two examples of the value of this planning); collects public broadcasting data for analysis; maintains the strength and public commitment of the system of public stations through management training, particularly women and minorities; promotes audience expansion through the Radio Expansion Task Force and the CPB-funded Public Participation Project.

IV. THE NEED FOR A CONTINUED STRONG FEDERAL INVESTMENT

A. Satellite Replacement

An essential element of maintaining the vitality of public broadcasting is the replacement of the satellite interconnection system. This system, which was constructed mostly with federally appropriated funds in the late 1970s, has, for more than 13 years, provided public broadcasting with a low-cost,

efficient, flexible, and dependable means of distributing programming. The system will reach the end of its useful life when the satellite runs out of maneuvering fuel in fiscal year 1991.

At that time, most of the ground equipment used by public television will be nearly 15 years old and will need to be replaced as the rate of equipment failure increases. Public radio's equipment will also be aging. Having this replacement satellite system in place is critical to the ability of public television and radio to continue delivering quality programs that serve a wide range of needs, interests, and audiences, and provide the flexibility to local stations to tailor their programming schedules to meet local needs.

Failure to appropriate the full level of authorized funds for satellite replacement will force the public broadcasting system to divert scarce resources away from programming and into satellite replacement.

B. CPB's Plan for Financing Public Television Programming in the 1990's

Mr. Chairman, I am pleased to report that CPB has met Congress' directive that a plan be developed, in consultation with the Public Broadcasting Service and public television stations, to improve national public television programming. In meeting this challenge, CPB and the presidents of the national public television organizations have agreed upon a dramatic change in the way national programming is financed. In developing the plan, CPB sought to balance the need to strengthen national programming with the imperative of maintaining accountability to the Congress and the public for the appropriate use of federal funds which are the centerpiece of the plan.

While the plan can make public television funding more efficient and give the public even better value for its investment, there remains a fundamental unmet need. That need is the long-standing and continuing requirement for more adequate and stable funding for public television. It is CPB's hope that

the efficiencies realized from this plan will create an increased climate of confidence in the effectiveness of financial support for public television. CPB further hopes that such confidence will encourage Congress, on behalf of the public, to make the additional investment in funding so that public television can further improve the quality service it provides to all Americans.

C. Radio Expansion

During the CPB reauthorization, Congress made clear its intent that CPB continue to lead the expansion of public radio in order to make its services available to as many Americans as possible. Last month, after conducting a year-long study in collaboration with public radio station representatives to determine possible methods of assisting in efforts to expand the reach of public radio while maintaining the strength and service of the current public radio stations, CPB adopted a plan to establish two new radio station grant programs, two new expansion-related projects and the extension of certain existing CSG grantee benefits to expansion stations. While CPB and public radio are fully prepared to make this effort a reality, full implementation of the plan without placing existing stations at risk will not be possible without the level of support necessary to match the goals discussed during reauthorization

In FY 1992 CPB appropriations were nearly $14 million below the authorized levels. For FY 1993, the Administration recommends a level more than $25 million below the authorization. Without a full appropriation of $285 million, one of the more immediate effects surely will be a need to scale-down this expansion until necessary resources are secured in later years. Furthermore, the more costly development of new programming necessary to sustain the expanded system underscores the importance of an affirmative and long-term federal commitment.

V. SAFEGUARDING THE FEDERAL INVESTMENT

Mr. Chairman, public broadcasting is justifiably proud of these achievements and confident that it is positioned to redouble its commitment to the nation's educational efforts and the resolution of its pressing social problems. The Corporation believes, however, that these dividends can be realized only with the public's full commitment -- one that allows public broadcasting to unleash its full potential to address the new decade's challenges. To do so will require facing the realities of those challenges. Already we are looking toward high definition television (HDTV), fiber optic cable, and the expanded use of direct broadcast satellites. We now face these and other advances in technology in this decade and beyond. But it is clear that we cannot meet them if we continue to inch along behind the rate of inflation.

In 1982, CPB received appropriations of $172 million. In 1992, CPB will receive $251.03 million. Using 1982 as a base year, this means that the purchasing power of the 1992 appropriation is equivalent to $177.1 million, or an increase of three percent in real dollar terms. This compares to the increase in the public broadcasting system from 557 stations in 1982 to 726 stations in 1992, a system increase of 24 percent. During the same period, technological advances and competitive pressures resulted in an infusion of billions on the commercial side, requiring public broadcasting to expend proportionately more as production acquisition and promotion costs soared. In an attempt to pick up at least part of the slack, Congress began to divert more of the CPB appropriation from technology development, training, research and other initiatives to increase the portion earmarked for station and program support, thus limiting the Corporation's future ability to stimulate the development of such projects as closed-captioning and descriptive video for the sight-impaired.

Today, scarce resources even limit public broadcasting's ability to continue to offer the type of signature programming that is necessary to sustain individual donors and corporate underwriting support. Some commentators point out that these types of programs are available on commercial outlets. It is true that often choice quality productions are cherry-picked and offered as loss leaders by commercial and cable broadcasters who wrap themselves in the virtue of those programs but intersperse them amidst commercials and standard fare of a decidedly lower quality. In this matter, at least, failure to acknowledge market threats to the public investment may well lead to jeopardizing the viability of the only system that is universal, consistently public service-oriented, commercial-free and of little cost to the American public. In short, it is the only broadcasting bargain available to all Americans.

Finally, in FY 1990, despite the provisions of the Public Broadcasting Act that provided for long-range authorizations, advance appropriations and single payments out of the Public Broadcasting Fund, CPB's appropriation was subjected to sequestration under the terms of the Gramm-Rudman-Hollings legislation. As a matter of law, it is CPB's position that its appropriation should not have been sequestered at all, but more than $12 million was withheld initially. On February 2, 1990, all but $3.257 million was returned, resulting unfortunately in a permanent loss of these funds and an additional $255 thousand in lost interest.

Mr. Chairman, as a matter of the Congressional intent and public policy expressed in the Act and in all its legislative history, it is clear that CPB should not be subject to the vagaries of yearly budget reductions which can have an immediate impact on the First Amendment protected activities that CPB

supports. It is CPB's hope that Congress takes note of the fact that CPB's financing was specifically structured to avoid just the kind of budget uncertainty that this year's sequestration created.

CONCLUSION

For these reasons, Mr. Chairman, CPB must request the full appropriation of $285 million for FY 1993. This level, together with the final installment on satellite replacement of $66.94 million will position public broadcasting technologically and programmatically to meet its mission of providing alternative, diverse and quality programming to as many stations and audiences as possible, assist in the nation's educational challenges, provide outreach on pressing social issues and renew the public commitment to facilitate the development of public broadcasting through research, technology and training.

In the past, Congress has taken the lead and the risk by appropriating funds to CPB in response to our requests. I do not believe we have ever failed to deliver more than we have promised in those requests. I assure you that we will continue to do our best to continue that record.

Thank you. I shall be pleased to respond to any questions you may have.

CHILDREN'S FARE

1/20/90

SUNDAY

7:00 a.m. on 7
WEEKEND SPECIAL "Cap'n O.G. Readmore's Puss in Boots."
8:30 a.m. on 22/67
ZOOBILEE ZOO Beavo misses dress with a bad case of the flu.
9:00 a.m. on 26
SHINING TIME STATION When Matt, Tanya, Stacy and Harry spend the night at the station, Schreiner plans to frighten them.
9:30 a.m. on 26
READING RAINBOW "The Patchwork Quilt," quilting. (CC)
9:30 a.m. on 32
OWL/TV Rescuing oiled pelicans; a leaf-cutter bee.
10:30 a.m. on 26
NEWTON'S APPLE DNA and genetic engineering; seahorses.
10:30 a.m. on 32
DEGRASSI JUNIOR HIGH Kathleen's drunken mother interrupts practice by the quiz show team. (Part 20 of 26) (CC)
12:00 Noon on 5
WONDERFUL WORLD OF DISNEY "Ghost of Cypress Swamp."
6:00 p.m. on 5
WONDERFUL WORLD OF DISNEY "Dear Brigitte" (1960)
7:00 p.m. on 2 and 4
MAGICAL WORLD OF DISNEY "Exile." A group of teen-age students become stranded on a jungle island. (CC)
7:00 p.m. on 32
WONDERWORKS "Taking Care of Terrific."

MONDAY

11:30 a.m. on 22/67
MATINEE "THE CASE OF THE SWAMI SCAM." "Square One Television." Monday and Frenzy pursue a swindler. (CC)
5:00 p.m. on 22/67, 26 and 32
SQUARE ONE TELEVISION Mathnet moves to New York City.

TUESDAY

12:30 p.m. on 26
WONDERWORKS "The Wild Pony." (CC)
4:00 p.m. on 11
SCHOOLBREAK SPECIAL "Flour Babies." Drama based on a San Francisco classroom experiment designed to promote teen-age sexual responsibility, in which students were given a bag of flour to care for as if it were a baby. (CC)
5:00 p.m. on 22/67, 26 and 32
SQUARE ONE TELEVISION Jasmarie Nelson and Eddy MacDonald sing "Why Do I Love Math?" (CC)

WEDNESDAY

12:30 p.m. on 26
WONDERWORKS "Quest Beyond Time." (CC)
5:00 p.m. on 22/67, 26 and 32
SQUARE ONE TELEVISION Beasty finds the secret number.
7:30 p.m. on 22/67
DEGRASSI HIGH (Season Premiere) Erica is pregnant. (CC)
8:00 p.m. on 22/67
DEGRASSI HIGH Joey encounters his nemesis Dwayne. (CC)

THURSDAY

12:30 p.m. on 26
WONDERWORKS "The Paper Boy." (CC)
5:00 p.m. on 22/67, 26 and 32
SQUARE ONE TELEVISION The Fat Boys rap about time. (CC)

FRIDAY

12:30 p.m. on 26
WONDERWORKS "Manuela." A 13-year-old girl from El Salvador tries to fit into her new surroundings in California. (CC)
4:00 p.m. on 32
SHINING TIME STATION An old friend of Harry's visits.
5:00 p.m. on 22/67, 26 and 32
SQUARE ONE TELEVISION "Piece of the Pie" game show. (CC)

SATURDAY

9:00 a.m. on 22/67
DEGRASSI JUNIOR HIGH Wheels and Spike worry about not graduating. (Part 26 of 26)
9:30 a.m. on 22/67
NEWTON'S APPLE Industrial Light and Magic; vultures. (CC)
8:00 p.m. on 22/67
WONDERFUL WORLD OF DISNEY "This Is Your Life, Donald Duck." Jiminy Cricket is the master of ceremonies.

CHILDREN'S FARE

1/27/90

SUNDAY

9:00 a.m. on 26
SHINING TIME STATION With the railroad closing the station, the children must leave. (CC)
11:30 a.m. on 22/67
SHINING TIME STATION Schreiner's prize boarders. (CC)
12:00 Noon on 5
WONDERFUL WORLD OF DISNEY "Track of the Grizzly Bear" (1970) John McIntyre. A polar bear cub becomes an unwieldy pet for an Eskimo boy who serves as cub.
7:00 p.m. on 2 and 4
MAGICAL WORLD OF DISNEY "Winnie the Pooh and the Honey Tree" Animated. Winnie the Pooh needs help from his friends after he gets into trouble looking for honey. (CC)
7:00 p.m. on 26
WONDERWORKS "Sweet 15." Maria sets out to help her father become an American citizen. (Part 2 of 2) (CC)
7:00 p.m. on 32
WONDERWORKS "The Canterville Ghost." A ghostly visitor plagues an American family living in an old English mansion. (CC)

MONDAY

11:30 a.m. on 26
ZOOBILEE ZOO The Zookies get new jokes from Laughland.
5:00 p.m. on 22/67, 26 and 32
SQUARE ONE TELEVISION "The Perfect Motor Massacre."

TUESDAY

6:00 p.m. on 22
VOYAGE OF THE MIMI Using the computer, the crew conducts a whale census; a visit to the Smithsonian Institution. (CC)
5:00 p.m. on 22/67, 26 and 32
SQUARE ONE TELEVISION Tracking down the number man.

WEDNESDAY

11:30 a.m. on 26
ZOOBILEE ZOO The gang starts a season of teamwork.
5:00 p.m. on 22/67, 26 and 32
SQUARE ONE TELEVISION Estimating how many ping pong balls would fit in Michigan Stadium. (CC)

THURSDAY

12:00 Noon on 22/67
NEWTON'S APPLE Learning how movie special effects are created at Industrial Light and Magic; vultures. (CC)
4:00 p.m. on 13
AFTERSCHOOL SPECIAL "All That Glitters." Mary Prose and D'Andre Weatherd. When a high-school class starts a cookie company, some students resort to unethical business practices.
5:00 p.m. on 22/67, 26 and 32
SQUARE ONE TELEVISION Doc shows Phil and Fred how to round prices to the nearest 10. (CC)

FRIDAY

11:30 a.m. on 26
ZOOBILEE ZOO A magic ring brings trouble to Whamo.
5:00 p.m. on 22/67, 26 and 32
SQUARE ONE TELEVISION Game show contestants attempt to identify the mystery penguin. (CC)
8:00 p.m. on 5
WONDERFUL WORLD OF DISNEY "Lefty." A outspoken gymnast with only one arm prepares for the national championships after he's injured. Based on a true story.

SATURDAY

9:00 a.m. on 22/67
I HAVE AIDS — A TEEN-AGER'S STORY; A 9-1-1-CONTACT EXTRA. Focuses on 16-year-old hemophiliac Ryan White, who contracted the disease through a blood transfusion. (CC)
9:30 a.m. on 22/67
NEWTON'S APPLE Dr. Allen Van Beek demonstrates microsurgery techniques for reassembling severed limbs. (CC)
6:00 p.m. on 32
RAMONA Beezus resents Ramona for wearing her new pajamas under her clothes to school. (Part 6 of 10) (CC)
7:00 p.m. on 22/67
FAERIE TALE THEATRE "Snow White and the Seven Dwarfs." Elizabeth McGovern and Ron Smith.
8:00 p.m. on 22/67
WONDERWORKS "Prince Caspian and the Voyage of the Dawn Treader." (Part 1 of 3) (CC)

CHILDREN'S FARE

SUNDAY 2/3/90

9:00 a.m. on 20
SQUARE ONE TELEVISION. Identifying the truthful journalist.

9:30 a.m. on 20
OPUS TV. A fitness center; water pressure; a bubble spider.

10:00 a.m. on 32
SHERLOCK JONES AND PROCTOR WATSON. Sherlock and Proctor use video technology to catch a group of cheaters. (CC)

11:00 a.m. on 32/87
MISTER ROGERS. Tom O'Horgan displays unusual instruments.

11:30 a.m. on 32/87
SHINING TIME STATION. Matt and Tanya make a wrong because when they keep a lost saxophone. (CC)

12:00 Noon on 32/87
LONG AGO & FAR AWAY. "The Man Who Planted Trees." (CC)

6:30 p.m. on 20
DEGRASSI HIGH. Michelle's parents divorce. (CC)

7:00 p.m. on 20
WONDERWORKS. "Prince Caspian and the Voyage of the Dawn Treader." Prince Caspian flees his evil uncle. (Part 1 of 3) (CC)

7:00 p.m. on 32
WONDERWORKS. "Sweet 15." The family anthology series' sixth season opens with preparations for a Mexican-American girl's "quinceanera" celebration. (Part 1 of 2) (CC)

MONDAY

9:30 a.m. on 20
MISTER ROGERS. A Bass Violin Festival. (CC)

4:00 p.m. on 32
NEWTON'S APPLE. Supercomputers research auto crashes.

5:00 p.m. on 22/87, 20 and 32
SQUARE ONE TELEVISION. "The Case of the Unadvertising."

5:30 p.m. on 20 and 32
3-2-1 CONTACT. A sheepshearing class. (CC)

TUESDAY

9:30 a.m. on 20
MISTER ROGERS. Cellist Yo-Yo Ma performs. (CC)

4:00 p.m. on 11
CBS SCHOOLBREAK SPECIAL. "Girl With the Crazy Brother." A teenager attending a new school struggles to cope when her brother is diagnosed as schizophrenic. (CC)

5:00 p.m. on 22/87, 20 and 32
SQUARE ONE TELEVISION. Descartes talks about a marathon's Cartesian coordinates. (CC)

5:30 p.m. on 20 and 32
3-2-1 CONTACT. Azuka observes new rubber tree grafting methods at Malaysia's Rubber Research Institute. (CC)

WEDNESDAY

9:30 a.m. on 20
MISTER ROGERS. Ella Jenkins teaches a clapping game. (CC)

5:00 p.m. on 22/87, 20 and 32
SQUARE ONE TELEVISION. A turn's angle of rotation. (CC)

5:30 p.m. on 20 and 32
3-2-1 CONTACT. Comparing a "Brangus" calf to its parents.

THURSDAY

12:00 Noon on 22/87
NEWTON'S APPLE. Microsurgery; how a stroke victim works.

4:00 p.m. on 32
PERKINS FAMILY. Clare reads her sister's diary.

5:30 p.m. on 20 and 32
3-2-1 CONTACT. Automatic door walkers. (CC)

FRIDAY

5:00 p.m. on 22/87, 20 and 32
SQUARE ONE TELEVISION. A problem involving tooth brushing.

5:30 p.m. on 20 and 32
3-2-1 CONTACT. Mass-production chicken farming. (CC)

SATURDAY

5:30 p.m. on 22/87
NEWTON'S APPLE. The national air traffic control system. (CC)

6:30 p.m. on 32
LONG AGO & FAR AWAY. "The Talking Parrot." A girl, a parrot and a toad must overcome evil serpents to free a wizard. (Part 1)

7:30 p.m. on 32
DEGRASSI HIGH. Arthur develops a crush on Caitlin. (CC)

8:00 p.m. on 22/87
WONDERWORKS. "Prince Caspian." (Part 2 of 3)

CHILDREN'S FARE

SUNDAY 2/10/90

9:00 a.m. on 20
LONG AGO & FAR AWAY. "The Reluctant Dragon." (CC)

9:00 a.m. on 32
SQUARE ONE TELEVISION. A problem about tooth brushing.

10:00 a.m. on 32
SHERLOCK JONES AND PROCTOR WATSON. Proctor is among the missing when the neighborhood's dogs begin to disappear.

12:00 Noon on 22/87
LONG AGO & FAR AWAY. "The Silver Cornet." (CC)

6:30 p.m. on 20
DEGRASSI HIGH. Arthur develops a crush on Caitlin. (CC)

7:00 p.m. on 2 and 4
MAGICAL WORLD OF DISNEY. "Disneyland's 35th Anniversary." Mickey, Donald, Tony Danza and the "Cheers" cast.

7:00 p.m. on 20
WONDERWORKS. "Voyage of the Dawn Treader." (Part 2 of 3)

MONDAY

9:00 a.m. on 20
SESAME STREET. Grover teaches about smoke alarms.

3:30 p.m. on 22/87, 4:30 on 32
MISTER ROGERS. Different ways to play. (CC)

4:00 p.m. on 32
NEWTON'S APPLE. A parachute jump; baby orangutans. (CC)

5:00 p.m. on 22/87
ROTTEN TELTH. "A 3-2-1 Contact Extra." The growing garbage crisis. Host: Stephanie Yo. (CC)

5:00 p.m. on 20 and 32
SQUARE ONE TELEVISION. A plane's motion. (CC)

TUESDAY

9:00 a.m. on 20
SESAME STREET. Ruby does many experiments. (CC)

3:30 p.m. on 22/87, 4:30 on 32
MISTER ROGERS. Eva Kwong's grandmother makes dumplings.

4:00 p.m. on 32
VOYAGE OF THE MIMI. The crew sees a film on whales. (CC)

5:00 p.m. on 22, 87, 20 and 32
SQUARE ONE TELEVISION. Dee's Nibbit saves the Beebidobs from a darkness [illegible]ager. (CC)

5:30 p.m. on 32, 5:00 p.m. on 20
3-2-1 CONTACT. [illegible]ny marks how clay's made into toilet bowls.

WEDNESDAY

8:00 a.m. on 20
ZOOBILEE ZOO. Cheese and Tabasco embark on a camping trip.

3:30 p.m. on 22/87, 4:30 on 32
MISTER ROGERS. Mr. McFeely visits a rocking horse factory.

5:00 p.m. on 22, 87, 20 and 32
SQUARE ONE TELEVISION. Blackstone's match magic. (CC)

5:30 p.m. on 32, 5:00 on 20
3-2-1 CONTACT. [illegible]w glass can be shaped through blowing.

THURSDAY

9:00 a.m. on 20
SESAME STREET. Bob reads "Three Jolly Mariners." (CC)

3:30 p.m. on 22, 87, 4:30 on 32
MISTER ROGERS. The birth of a zebra; poet May Swenson.

6:00 p.m. on 32
PERKINS FAMILY. Concerned about Matt, Tracy seeks advice.

5:00 p.m. on 22, 87, 20 and 32
SQUARE ONE TELEVISION. Superguy creates a number code.

5:30 p.m. on 32, 5:00 on 20
3-2-1 CONTACT. Cleanup artist Norman Bryn. (CC)

FRIDAY

11:30 a.m. on 20
ZOOBILEE ZOO. The gang befriends a hearing-impaired zookid.

3:30 p.m. on 22/87, 4:30 on 32
MISTER ROGERS. A playground built by adults and children.

5:30 p.m. on 32, 5:00 on 20
3-2-1 CONTACT. The "Bionic Bat," a human-powered aircraft.

SATURDAY

5:30 p.m. on 22/87
NEWTON'S APPLE. How clouds form; a Rube Goldberg contest.

7:30 p.m. on 32
DEGRASSI HIGH. Erica learns who's been writing on her locker.

8:00 p.m. on 22/87
WONDERWORKS. "Voyage of the Dawn Treader." (Part 3 of 3)

BIOGRAPHY

Donald E. Ledwig

Years of Quality Programming

Donald E. Ledwig
President and Chief Executive Officer
Corporation for Public Broadcasting

Donald E. Ledwig, president and chief executive officer (CEO) of the Corporation for Public Broadcasting (CPB), brings 28 years of diverse experience in management, finance, public broadcasting, contracting, and telecommunications technology to the primary organization charged with the national growth and development of public radio and television in the United States.

Ledwig was elected president and CEO by the CPB Board of Directors on July 2, 1987. He previously served as acting president from November 1986 to July 1987, and as vice president-treasurer from November 1984 to July 1987.

As president and CEO, Ledwig's goal is to strengthen the educational level and enrich the cultural life of all Americans through public service television and radio. "I would like public broadcasting to reach larger audiences without compromising its quality and diversity," says Ledwig, who backs audience-building efforts and the extension of service to all areas unserved by public broadcasting stations.

The CPB executive is strongly committed to public broadcasting, particularly in advocating federal funding for the system. Ledwig has testified before Congressional committees since 1985 in consistently successful efforts to obtain increased federal funding for public broadcasting.

Ledwig views CPB as a catalyst in providing "seed money" to diverse, innovative, high-quality programs that otherwise might not receive funding. He also considers CPB a "pump-priming" and stabilizing force for public broadcasting because CPB's forward funding provides the base for raising other funds and committing them to programs in the production pipeline.

Among Ledwig's priorities is increasing the number and effectiveness of CPB's educational programs to exploit the full potential of the public broadcasting system to serve the nation's learners.

As the vice president-treasurer, Ledwig was the corporation's chief financial officer. He was responsible for budgeting and distribution of CPB funds to the public broadcasting system--including contracting for radio and television programs, overseeing corporate administrative functions, certifying the system's financial data to the Secretary of the Treasury, and adjudicating the findings of CPB audits.

Before joining CPB, Ledwig worked in government affairs with the Washington office of the LTV Corporation of Dallas, Texas, a Fortune 500 steel, oil, and aerospace industries corporation.

Prior to joining LTV, he was a career naval officer, serving on four ships of the U.S. Pacific Fleet and in various assignments ashore involving the business aspects of acquiring high technology systems. He directed contracting for all advanced telecommunications and space satellite systems for the Navy from 1981 to 1984. Replacement of public broadcasting's program distribution satellite by 1991 is a major system objective.

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From 1966 to 1972, Ledwig served in key business and federal appropriations process assignments with the Naval Nuclear Propulsion Program under Admiral Hyman G. Rickover. His military awards include the Legion of Merit and two Meritorious Service medals.

Ledwig holds a B.S. degree in economics from Texas Tech University and an M.B.A. degree in financial management from The George Washington University, and he is a distinguished graduate of the Naval War College in national strategy and policy. The National Contract Management Association has designated him a certified professional contracts manager.

In 1989, Ledwig received the Roscoe Barrow Memorial Award from the Hastings College of Law of the University of California for outstanding contributions to public broadcasting.

Born March 2, 1937, Ledwig grew up in Lubbock, Texas. He is married to the former Gail Wilcox of Boston. They have two sons and live in Alexandria, Virginia.

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January 1990

CORPORATION FOR PUBLIC BROADCASTING

1111 16th Street NW
Washington, DC 20036
(202) 955-5100

FREDERICK DEMARCO
VICE PRESIDENT, STATION RELATIONS AND TREASURER

Frederick L. DeMarco was elected vice president and treasurer of the Corporation for Public Broadcasting (CPB) in January 1988. In March 1989, he was named vice president, station relations and treasurer, overseeing the departments of broadcast services, certification, administration, finance, budget, and business affairs. DeMarco also serves as the corporation's liaison to public broadcasting's national organizations.

A commercial broadcasting executive with 20 years of experience with NBC, DeMarco was a broadcasting consultant prior to joining CPB. He was previously vice president/general manager of WRC-TV, Washington, D.C., which is owned and operated by NBC. In this position, he was responsible for supervising more than 400 employees. During DeMarco's tenure, WRC produced the McLaughlin Group and John McLaughlin's One on One which are aired on public television stations.

DeMarco previously was at Chicago's WMAQ-TV, a station which produced live drama, where he rose from director of finance and administration to station manager. While in Illinois, DeMarco served on the governor's task forces on drug abuse and literacy--areas of concern and extensive community outreach activity for public broadcasting stations. He has been heavily involved in community and civic activities in both Chicago and Washington, D.C.

For the first decade of his career, DeMarco worked for NBC-TV in New York in various capacities with specific responsibility in budgeting, financial analysis, and profit and loss.

He had financial responsibility for NBC's satellite, telephone, and interconnection operation and had been the chief financial member of the network's satellite interconnection committee which developed the initial studies to distribute NBC's programs by satellite. Satellite replacement is a key issue for public broadcasting at this time.

CPB is a private, nonprofit corporation that was authorized by the Public Broadcasting Act of 1967 to develop noncommercial radio and television services for the American people.

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OCC-MM-10/27/89

Mr. NATCHER. Thank you, Mr. Ledwig.

PUBLIC BROADCASTING INDUSTRY INCOME

What was the total annual expenditure of the public television and radio system in 1989, and tell us how much of that total was supported with Federal funding.

Mr. LEDWIG. In 1989, it was $1,400,000,000, about 18 percent was Federally supported and about 15 percent was provided by the Corporation for Public Broadcasting.

Mr. NATCHER. Give us the same figures, if you will, for 1980. Do you have those?

Mr. LEDWIG. Back to 1980, we have them here, or we can—

Mr. DEMARCO. Our figures go back to 1983. We can provide that for the record.

Mr. NATCHER. That will be fine.

[The information follows:]

PUBLIC BROADCASTING INCOME

[Dollars in thousands of current dollars]

Fiscal year	Total industry	CPB	Percent of total
1980	$704,857	$152,000	21.6
1981	768,895	162,000	21.2
1982	845,214	172,000	20.4
1983	899,179	137,000	15.2
1984	974,243	137,500	14.1
1985	1,096,328	150,500	13.7
1986	1,134,009	159,500	14.1
1987	1,294,533	200,000	15.4
1988	1,367,752	214,000	15.6

NATIONAL PROGRAM PLAN

Mr. NATCHER. In January, Congress received the proposed national program plan which you developed with the Public Broadcasting System and television stations. Tell us how this plan will improve the funding of public television programming.

Mr. LEDWIG. Mr. Chairman, the plan involves a rational assessment of the needs of the American people and the needs of the public broadcasting system by CPB as a result of extensive research and consultation.

Then it provides for the aggregation of $100,000,000 in one place as opposed to a market system which we have now. This will permit the Public Broadcasting Service to not only plan a schedule, which they can do now, but also fund programs for that schedule and then promote that schedule. This will streamline the decision-making process over what we have now. CPB will continue in its role of developing new programs and making them available for public use.

When this process is in place, CPB will review its success each year and provide an assessment and make any needed adjustments that might be required. So, we think we have proposed a rational plan for aggregating funds and using them in a more efficient way.

This will allow us to build on our track record which, when we put dollars together, that leverages additional dollars sixfold.

We are hopeful that this will continue to occur.

Mr. NATCHER. What will be the total programming fund created under this new plan, and how much will the Corporation for Public Broadcasting contribute to the fund?

Mr. LEDWIG. We expect about $100,000,000 will be aggregated and CPB's investment will be $22,000,000.

Mr. NATCHER. Tell us how and when this plan will be implemented.

Mr. LEDWIG. We have proposed our plan as an offer to the public television stations, an offer for them to agree for PBS to manage these dollars (they are now managing through a market system) and an offer to PBS to contract with us for the $22,000,000. When both of those events have taken place, we hope to implement the plan, beginning in the next fiscal year.

Mr. NATCHER. Is your contribution to the fund essentially a transfer to PBS?

Mr. LEDWIG. No. Our contribution to the fund will be by contract. We will be providing a method that ensures programming for the American people consistent with the needs assessment which we will develop in conjunction with the public stations.

So, we believe that the audience needs and, the public's needs, in consultation with the system, will result in a comprehensive needs statement. We will contract with PBS to deliver programming consistent with that statement.

COMMUNITY SERVICE GRANTS

Mr. NATCHER. What is the size of the average television and radio community service grant, and how much do they vary?

Mr. LEDWIG. Based on our 1993 request, the average community service grant in television is estimated to be $742,000, and in radio it is estimated to be $138,000.

Mr. NATCHER. What is your range now, from what to what?

Mr. LEDWIG. Within television and radio?

Mr. NATCHER. Yes.

Mr. LEDWIG. We will be happy provide that information for the record.

[The information follows:]

Community Service Grants—Fiscal Year 1990

Television:	
Smallest	$281,677
Largest	5,441,476
Average	587,971
Radio	
Smallest	23,131
Largest	856,301
Average	115,107

Mr. NATCHER. What would be the average increase from 1992 to 1993 of radio and television community service grants under the President's budget and under your request?

Mr. DEMARCO. Under the President's budget, the average CSG for television would be $672,000. Under the CPB request, it would be $742,000. So, a difference of $69,000 between the President's numbers and our authorization and our request. In radio, it would be $125,000 under the President's budget and under our request, $138,000, a difference of $12,900.

CPB BUDGET JUSTIFICATION

Mr. NATCHER. Given the range of programs which this committee is asked to fund, and our problems with the budget deficit that you know about, how can we justify a 13.5-percent increase for public broadcasting which you have requested, instead of a 3.4-percent increase as recommended by President Bush?

Mr. LEDWIG. We believe that our increase will leverage other dollars. That has been the history. Our 15 cents brings another 85 cents into the system. So, we believe it is the most cost-effective way to leverage other dollars, and we believe that it is the most cost-effective way to address many of the needs that this committee is concerned about. For example, by funding a program on AIDS and preventing a person from contracting that disease; we can save the medical costs by large amounts. Similarly, by discouraging the use of drugs and by encouraging attention to literacy in this country we can save large costs for really a small amount of money.

We can focus attention on an issue with a small investment for very large payback. So we believe that we leverage additional dollars and we believe that makes public broadcasting one of the most efficient ways of addressing many of the issues that are of concern to this subcommittee and to the Congress.

BROADCAST INFLATION

Mr. NATCHER. What has been the recent annual inflation rate for the broadcasting industry?

Mr. LEDWIG. I think it is around 7 percent.

Mr. DEMARCO. I think it is close to 9 percent for production costs.

Mr. LEDWIG. It is higher than the general rate of inflation and has been for several years.

Mr. NATCHER. Why is inflation in the broadcasting industry so much higher than the Consumer Price Index rate?

Mr. LEDWIG. My guess is that it is the fragmentation of the industry which is creating competition among the parts of the industry, and they are bidding up the cost of talent and programs.

We have certainly seen it in sports programming on the commercial side, where the networks are in fierce bidding wars to obtain such programming. This drives up costs, and the same thing happens with hit programs on the commercial side. All of that raises the cost of programming, and we, from time to time, have to compete with that for personnel and talent and so forth.

COMMUNITY SERVICE GRANTS

Mr. NATCHER. Are community service grants being used increasingly for station administration rather than programming costs?

Mr. LEDWIG. They are intended to be used primarily for programming costs. We are studying their actual usage now.

We are now updating our data, and we are going to submit a report to the House authorizing committee on that in the near future.

SEQUESTRATION

Mr. NATCHER. Now, Mr. Ledwig, tell us what is the basis for your position that you should not be subject to sequestration when this applies to all other discretionary programs in the Federal Government.

Mr. LEDWIG. Well, Mr. Chairman, we were established as a private corporation, received advance funding and are set up in different ways to protect our forward funding obligations. That is how we are legally structured.

I would be pleased to provide for the record our legal position on this, because we believe that under the law, we should not have been sequestered, and because of the nature of our organization and how we are structured under the law.

Mr. NATCHER. Would you agree that you are not exempted under the Gramm-Rudman law, like Social Security and others?

Mr. LEDWIG. We believe in the past when there has been sequestration, it has not been applied to CPB. It was applied this year, and we believe it was applied improperly, because we are advance funded.

We are not an instrumentality of the Executive Branch of the Government. We were set up not to be that to keep the Executive Branch from having an influence on programming and control of that programming while still providing public funds for broadcasting.

It becomes a detailed legal argument that we would be pleased to explain for the record.

[The information follows:]

Part of the response is found in the question. CPB does not consider itself part of the discretionary programs of the Federal government. CPB believes that it was structured by Congress to be unique from any other entity in its relationship with the Federal government. Since the Gramm-Rudman-Hollings legislation is essentially a device to control the executive branch expenditure of the budget, CPB is not included with the scope of the legislation; and, therefore, there was no need to specifically exempt CPB from the terms of the statute.

CPB's position on the applicability of Gramm-Rudman-Hollings is based on its legal and statutory structure that reflects the clear intent of Congress. During the time when a federal contribution to noncommercial educational broadcasting was first being considered, the Carnegie Commission concluded and recommended that an independent, non-governmental, private corporation be established to manage that federal contribution. Carnegie Commission on Educational Television, Public Television: A Program for Action (New York: Harper & Row, (1967). The reasons for this recommendation were clear. A separateness from the government was determined to be necessary to protect the recipients of the federal contribution from the potential of interference in program content. It was generally recognized that Congress has a duty to be accountable for the funds it appropriates. But the sensitivity to the First Amendment freedom of expression demanded a dramatically different structure to manage the only Federal contribution to a domestically-oriented broadcast media. To balance accountability with protection of editorial expression, the Carnegie Commission recommended the establishment of a private and separate corporation. That recommendation was accepted and incorporated into the Public Broadcasting Act of 1967 and has remained there through all the Amendments to that Act. The Act provides that the Corporation for Public Broadcasting shall "not be an agency or establishment of the United States Government." 47 U.S.C. 396(b).

In 1975, Congress responded to another of the Carnegie Commission's original recommendations that some sort of sustained predictable long-term financing arrangement be created for the federal contribution to public broadcasting. Once again, this recommendation was based on the perceived need to protect the editorial decisions of public broadcasters from the inevitable desire to control them that arises during the annual appropriations process. The concern was that because of the pervasiveness of broadcasting, a program seen one night could have the immediate impact on the annual appropriation in Congress. This knowledge would "chill" the attempts by public broadcasters to be full and aggressive journalists in the best tradition of American editorial comment. Congress did not want to compromise the editorial quality of public broadcasting programming as a cost of Federal financial support.

Through the Public Broadcasting Financing Act of 1975, a mechanism of multi-year authorizations and advance year appropriations was created. The financing mechanism was intended to give stability and predictability to a broadcasting industry that requires long lead times to develop the programming that Congress found

valuable. The mechanism was also intended to extend the insulation of program editorial decisions from the potential of interference by government entities through the appropriations process. The 1975 Act also extended the obligations of CPB to be accountable for the expenditure of the money it distributes; that enhanced accountability obligation was reiterated by provisions in the 1978 and 1981 Amendments to the Public Broadcasting Act.

Similarly, Congress' intent to protect the recipients of its contribution from the vagaries of the annual appropriations process was established in 1975 and reinforced in each reauthorization since, including the latest one in 1988. CPB is the organization charged with maintaining this protection while providing prudent accountability. CPB has no choice but to point out the inconsistency between this long established and continuously endorsed concept of the uniqueness of the financing arrangement with CPB and the deficit-reducing goals of Gramm-Rudman-Hollings.

CPB does not maintain that public broadcasting must be exempt from reductions in the federal contribution as the result of declining federal revenue or a change in national public policy. Its position is simply that once an appropriation has been passed by Congress and signed by the President (going through the rigors of the appropriations process), it should remain in place. CPB believes that this arrangement is the intent of Congress expressed clearly in the legislative history that accompanies every Public Broadcasting Act and amendment. There is no apparent authority for any other conclusion.

Because of this clear Congressional intent, the language of the Public Broadcasting Act, as amended, provides for a transfer of funds that is markedly different than the arrangement described in the Gramm-Rudman-Hollings legislation. Under the Public Broadcasting Act, there is a discreet fund known as the Public Broadcasting Fund established in the Treasury. Certain amounts are authorized to be appropriated in the Fund reflecting a match between the contribution by the Federal government and the amount of nonfederal financial support received by public broadcasting entities during certain fiscal years. Those authorization levels are capped by the terms of the Public Broadcasting Act. Once a given appropriation has been passed by Congress and signed by the President, the amount of funds appropriated for the Corporation is transferred immediately into the Public Broadcasting Fund. Those monies remain in the Fund until the beginning of the fiscal year for which they were appropriated. At that point, the Corporation certifies to the Secretary of Treasury as to the amount of nonfederal financial support received by public broadcasting entities during the appropriate fiscal year and "upon receipt of such certification, the Secretary of Treasury shall make available to the Corporation from such funds as may be appropriated to the Fund, the amount authorized for each of the fiscal years pursuant to the provisions of this subsection."
47 U.S.C. 396(k)(2)(A). There after, "...[f]unds appropriated under this subsection shall remain available until expended." 47 U.S.C. 396(k)(1)(D).

In other words, the action of the Secretary of Treasury is strictly ministerial and, because of the Corporation's legal standing, is not subject to alterations by the Executive. The Secretary is compelled to transfer the entire amount at the beginning of the fiscal year, for the reasons described in the Public Broadcasting Act and its legislative history. Therefore, the terms and definitions contained in the Gramm-Rudman-Hollings legislation (also referred to as the Balanced Budget Act) simply do not apply to CPB. CPB's situation is not covered by the definitions which are used to execute the Balance Budget Act; particularly such terms as "spending authority," "new budget authority," or "unobligated balances" which govern Executive Branch Departments which receive current year appropriations.

A recent example of the inapplicability of CPB's situation to the Gramm-Rudman-Hollings Balanced Budget Act arrangement is what occurred during fiscal year 1989. Under the provisions of the Balanced Budget Act, a sequestration was necessary and was ordered. However, because of the timetable developed under the Gramm-Rudman-Hollings legislation at that time, the final sequestration decision was not made until after October 1, 1988. By that point, CPB had already received its full appropriation as required under the Public Broadcasting Act. The sequestration ordered for fiscal year 1989 did not require any reimbursements of payments previously made. Therefore, the Corporation was not required to rebate to the government the amounts that would ordinarily have been sequestered under the OMB sequestration letter. Non-exempted government agencies, however, were required to have a portion of their outstanding spending authority amounts removed for sequestration. The difference demonstrates the different treatment that CPB should receive as distinct from the Federal government agencies and reinforces the fact that CPB is not one of those organizations.

CPB's position, therefore, is that the Executive Branch operating under the constraints of the Gramm-Rudman-Hollings legislation has no authority to reduce the amount paid to CPB at the beginning of the fiscal year under the terms of the Act. The legislative history of the Public Broadcasting Act declares that CPB represents an unique investment of the Federal government in a broadcast enterprise. The Corporation's nongovernmental private status, combined with its unique long-range financing arrangement, guarantees the editorial integrity of a public broadcasting system that receives a federal contribution to public broadcasting. For these reasons, CPB believes that it should not be subject to the terms of the Gramm-Rudman-Hollings legislation and is not subject to it under the terms of the Act itself.

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Mr. NATCHER. Mr. Ledwig, you would agree with me that it is right difficult for us on this subcommittee to take this bill to the House and say to the House of Representatives that we are going to cut cancer research, AIDS, elementary and secondary education, higher education, vocational education, all of the programs that mean so much to all of the people, but sequestration will not apply to public broadcasting. It would be difficult, wouldn't it?

Mr. LEDWIG. It might be difficult to draw the comparison, but I still believe that if CPB gets into the sequestration and into the annual budget process that it makes it very easy for this process to intrude on the programming and the advanced planning which has protected editorial integrity over the years in public broadcasting and insulation for the system in the process.

SATELLITE REPLACEMENT COSTS

Mr. NATCHER. All right, now, Mr. Ledwig, last year your estimate of the total cost of the satellite replacement was $227,000,000. What is the current estimate of the total cost and what accounts for the change?

Mr. LEDWIG. We believe the current estimate is $202,000,000, and we believe that strong negotiations by PBS and by NPR has resulted in lower costs for the system. We have also been able to obtain much longer life for the system under those dollar constraints, some 40 percent longer life for the satellites.

We will have these satellites in place and in position for much longer, 14 years versus 10 years. And that plus, competition and negotiations, between vendors resulted in these lower costs.

Mr. NATCHER. All right.

Mr. Conte, I yield to you.

Mr. CONTE. Mr. Ledwig, I want to welcome you back to the subcommittee. This is your third time before this subcommittee as President of CPB. I appreciate the good work you have done.

Mr. LEDWIG. Thank you.

APPROPRIATING AUTHORIZED LEVELS

Mr. CONTE. The Corporation for Public Broadcasting has spent much of the last decade fighting for funds, and that battle continues. The President's fiscal year 1993 budget recommends $260,000,000 for CPB, $25,000,000 less than the $285,000,000 previously authorized by Congress.

Congress has to make some tough choices and can't always fund to the authorized level. Tell us why it is necessary to fully fund CPB to the authorization level?

Mr. LEDWIG. I believe it is necessary for us to continue to do the basic work that we are doing in the most cost-effective way. I believe that continuing to fund at the requested amount will allow us to improve the educational system in this country by bringing public broadcasting closer and closer into the schools for those purposes, which is a very important national goal; to increase our outreach efforts, to enhance our programs, to serve independent producers and minorities, to expand public radio, and of course, to replace our satellite.

Mr. CONTE. What percentage of CPB's total operating budget does the $285,000,000 represent?

Mr. LEDWIG. It would represent our entire budget.

Mr. CONTE. Your budget justification paints the $25,000,000 difference between your budget and the President's budget as a choice between better service to the community and the status quo. What will be sacrificed at individual stations if you don't get the amount you are requesting?

Mr. LEDWIG. First of all, radio expansion can't go forward without the amount that we requested, as we now plan to do that. Our programming plans envision using the authorized amount in the future, and those programs will be cut back.

We are ready with new programs to teach geography, which is a sorely needed subject. We are ready with new plans to address many national problems. Those plans will have to slow down or be held up. It will be more than proportional to the cuts, because just as we have a multiplier effect going forward with dollars, we have a counter-multiplier effect when we are cut, because the other dollars that we leverage and that we bring in aren't there if we don't have the Federal dollars to start the process.

NONFEDERAL FUNDING

Mr. CONTE. Public television and radio stations can also draw from non-Federal funding sources. What percentage of their total funding is expected to come from non-Federal sources by 1993?

Mr. LEDWIG. I expect about 82 percent will be non-Federal.

PUBLIC RADIO EXPANSION

Mr. CONTE. Congress asked CPB to expand the number of radio stations serving underserved audiences. Would your appropriations request enable you to meet that goal?

Mr. LEDWIG. It will.

Mr. CONTE. How would the expansion of radio fare under the President's budget proposal?

Mr. LEDWIG. Mr. DeMarco is involved with that project, if I may ask him to answer the question.

Mr. DEMARCO. Under the administration's request, radio expansion would put a greater burden on the radio stations themselves in terms of reduced program grants and CSGs. If we are fully funded, it would help reduce the burden to those radio stations. It would not eliminate them completely.

SATELLITE REPLACEMENT

Mr. CONTE. I see you are requesting $67,000,000 for the replacement satellite interconnection system. Due to forward funding, you will get the first payment this fall. What will NPR and PBS do with the first $57,000,000 installment?

Mr. LEDWIG. They are prepared to make their initial payments under the contracts which they have awarded using that money which will involve going to interim services in 1991 and a permanent satellite in 1993.

Mr. CONTE. When is the launch date?

Mr. LEDWIG. I believe the satellite will be launched in 1993. The new satellite services will be provided in 1993.

Mr. CONTE. The launch date isn't until 1993?

Mr. LEDWIG. Mr. DeMarco provide you with the answer.

Mr. DEMARCO. The launch date will be 1993, but there will be service between 1991 and 1993 using existing, different satellites.

Mr. LEDWIG. And we will have to pay for those services beginning in 1991.

Mr. CONTE. Your $67,000,000 request would complete the $200,000,000 that was authorized in 1988. Will this finish the project or are you going to ask for more money?

Mr. LEDWIG. This will finish the project as we now envision it.

Mr. CONTE. You are not going to ask for any more money?

Mr. LEDWIG. I am not asking for any money now for this system. We believe that it is capable to meet our needs, and I am not at this time asking for any more money, or I don't envision a request for additional funds.

Mr. CONTE. Will there be any user fee charged to stations like WGBY in Springfield?

Mr. LEDWIG. No user fee as such, no cost for using the asset that is up there. There are administrative costs through PBS and through NPR for operating the satellite system.

CPB ADMINISTRATIVE COSTS

Mr. CONTE. In 1988, Congress limited how much money could be used for administrative costs. There are questions about what should be classified as administrative expenses. Some folks have suggested that maybe additional Congressional direction is needed. What do you think about that?

Mr. LEDWIG. I think we are pretty well defined as to what we should do with our administrative expenses and how we should classify them. We were subject to the GAO's looking at that, and the report concluded that we have stayed within every cap that we have had, and stayed well below it.

I might add, Mr. Conte, that the cost of administering the CPB is the lowest of any Federal agency that you could compare us with. The National Endowment for the Arts, the National Endowment for the Humanities, their expense runs about 12 percent of their appropriations and ours runs about 4.2 percent.

We are the best bargain in town.

OBJECTIVITY AND BALANCE IN PROGRAMMING

Mr. CONTE. In addition to spending much of the 1980s fighting for funding, you have also had to respond to concerns about programming. One PBS program in particular, "Days of Rage," drew criticism for being politically biased. What process does CPB used to avoid funding programs that might be perceived as politically biased.

Mr. LEDWIG. CPB adheres to the highest standards of editorial and journalistic standards. Secondly, we make every effort to fund a diversity of views over the yearly schedule. So, while one viewpoint may be presented at one time, another viewpoint will be presented at another time.

We also fund certain programs that make an effort to have both viewpoints brought up at the same time, such as the "MacNeil/ Lehrer NewsHour."

EDUCATION AND OUTREACH EFFORTS

Mr. CONTE. CPB recently started a program called Operation Earth in conjunction with the Public Television Outreach Alliance. What kind of feedback are you getting about that program?

Mr. LEDWIG. We have had wonderful feedback from throughout the country. For example, Senator Kassebaum was at our PBS press conference last week, and when it was over, she said to me, it is that kind of outreach in educational programming that you do so well that makes me a supporter of what you do.

Mr. CONTE. CPB has been trying to position public television as a parent-teacher partner in education. In fact, your first ad was designed so teachers could clip it out and send it home to parents.

How is this effort going?

Mr. LEDWIG. It has been very successful in the schools in the Washington area. Teachers are photocopying that ad and giving it to the children to take home and read.

I would say it has been very successful.

Mr. CONTE. CPB supports the Satellite Educational Resource Consortium. Last spring was the pilot semester for this distance learning project. I understand it featured, among other things, a course in statistics taught by a teacher in Chairman Natcher's home State.

What can you tell us about the success of that program?

Mr. LEDWIG. It has been a successful program and the number of students involved is growing exponentially. It is a link with technology and a great way to educate at a distance, and in particular to educate in rural and other areas where there may not be a variety of teachers to teach, for example, foreign language requirements.

Mr. CONTE. What other ways could the distant classroom approach be used?

Mr. LEDWIG. It could be used in an interactive way through interactive systems which we have funded through support of research and development in those areas. Distance learning, of course, occurs in the regular broadcast of public broadcasting during the day. Those of us in the working day forget that most of our programming is educational and aired during the day for children and that some 30,000,000 children and individuals benefit from public broadcasting and programming into the schools as well each week.

DESCRIPTIVE VIDEO SERVICE

Mr. CONTE. WGBH in Boston developed Descriptive Video Service with funding from CPB. It recently premiered with the season opener of "American Playhouse." What was the reaction to this new service?

Mr. LEDWIG. We had a wonderful reaction. I think one of the most touching things I have heard was from a blind person who said, "Now I am part of the family. The family has been watching

television as a family, and while I have been there, now I am more a part of the family, and I can hear this descriptive service and not only do I know what is going on on television, I am part of that social group that has developed America around the television set."

Mr. CONTE. Speaking of programming, I did a quick survey of my staff. Their favorite public television shows are "NOVA," "Mystery," "Masterpiece Theater," "Frontline" and "Monty Python." Should I be concerned about their cultural development?

Mr. LEDWIG. I think I would compliment them for their cultural development and be pleased that they have a sense of humor as well.

CLOSED CAPTIONING

Mr. CONTE. The development of the new decoder technology has the potential to revolutionize closed-captioned television. How much money has CPB invested in closed-captioned research?

Mr. LEDWIG. We would be pleased to provide the total number since the beginning for the record. We have been involved in closed-captioned since the earliest days. We were honored by the National Captioning Institute for that service, and we have provided $100,000 into their most recent initiative, the decoder chip.

[The information follows:]

CPB provided approximately $500,000 for the development of early closed-captioning technology in the late 1970's. In addition, as part of the Corporation's commitment to ensuring that public broadcasting programming is equally accessible to all Americans, CPB has long required closed-captioning by contract for all appropriate public television programming. Since 1980, CPB has helped to underwrite the costs of captioning public television programming, beginning with $200,000 in 1980 and continuing each year, including $350,000 in 1990. In October 1989, CPB expanded the availability of closed-captioning even further by requiring that it be incorporated as a mandatory budget line item for all public television producers who receive funding from the Corporation. In addition, on November 14, 1989, the CPB Board of Directors approved $100,00 in funding to the National Captioning Institute to support the development of a low-cost microchip to be used in all new television sets. It would replace the closed-captioning decoder now used by hearing impaired television viewers.

Mr. CONTE. I am co-sponsor of that Television Decoder Circuitry Act of 1989, H.R. 4267. What impact will this legislation have on programming supported by CPB?

TELEVISION DECODERS

Mr. LEDWIG. I think that it will have the most profound technological impact of anything that has been developed so far. Although we have been quite successful in getting programs captioned, the problem has been the decaptioning. We believe with the chip, some 24,000,000 Americans with some hearing-impairedness can have access to the decoding process and just as important, many Americans to whom English is a second language will be able to see the printed English words along with hearing on television and seeing what is being portrayed.

So, we think there are great possibilities for literacy and great possibilities for children learning by this process. It will have an exponential effect on the number of decoders capable in the United States, and it is a great use of technology.

Mr. CONTE. I have exhausted my time. I have a few more questions, and I will submit them for the record. You can answer them at your leisure.

Mr. NATCHER. Mr. Smith?

SEQUESTRATION OF THE CPB

Mr. SMITH of Iowa. I was interested, Mr. Ledwig, in your response concerning sequestration. There was one other sequester before this year, like two or three years ago. Did I understand you to say that you were not sequestered?

Mr. LEDWIG. Our appropriation is paid to us on the 1st of October, and that sequestration took place on the 15th of October.

Mr. SMITH of Iowa. So that is the reason—

Mr. LEDWIG. That is correct.

Mr. SMITH of Iowa. I thought you said they had ruled that you weren't subject to it.

Mr. LEDWIG. No, I think as the attorneys here know, that possession is nine-tenths of the law. So we had the funds and they didn't sue us to take the funds back. But this year, they withheld the funds.

Mr. SMITH of Iowa. That explains it better then because you know we have other corporations, too. The Legal Services is a corporation. We have a number of government corporations and if they are not listed in the Act as being exempt, I think they are all sequestered.

So, I didn't understand your reasoning there. But anyway, you are submitting——

Mr. LEDWIG. I will be pleased to submit it for the record, Mr. Smith.

FUND-RAISING

Mr. SMITH of Iowa. Now, I hear this every year, with regard to your leveraging money; the more we give you, the more you say you can raise. But I notice also that it seems like the more we give you, the more time they take out of good programs to raise money. Is that the reason, because we are giving you more money, they take five to 10 minutes out of the best programs to raise money?

Mr. LEDWIG. We have statistics and PBS has statistics on the time spent on fund-raising. We will provide that for the record.

Mr. SMITH of Iowa. Do you have by station, or overall?

Mr. LEDWIG. We have it overall. It is a small fraction of what the commercial stations spend on advertising time.

Mr. SMITH of Iowa. You are not supposed to compare yourself with commercial. You were set up to be different. But is my impression wrong? It seemed to me that this year especially, a lot more time was spent raising money on public television than was the year before, and last year it was even more than the year before that. Is that not right?

Mr. LEDWIG. I will have to research that. It has not been my impression, but we will be happy to provide it for the record.

Mr. SMITH of Iowa. I wish you would.

[The information follows:]

The amount of broadcast time for on-air fundraising declined last year by 3.8 percent systemwide, reversing a trend of several years of slow growth. Last year about 1 percent of total air time was devoted of fundraising, while a typical commercial broadcasting station used 17 percent of its air time for commercials.

Mr. SMITH of Iowa. I was for letting public television raise some money. But I think that everybody thought they were going to be rather discreet ads, probably not take much time out of regular programs, perhaps 30-second ads or something like that. But they are more than five minutes. It is just saying the same thing over and over and over, until it seems like to me you are going to lose your audience.

Mr. LEDWIG. Well, Mr. Smith, I would prefer——

Mr. SMITH of Iowa. Now, that is not true on all situations.

Mr. LEDWIG. It varies, and there are studies done. When they lose audiences, they quit doing it. But I would prefer that we fund public broadcasting in total through this committee. But that was not the model that we set out upon. So, it becomes a balance between those various methods to raise the funds to do what we need to do.

PUBLIC BROADCASTING SALARIES

Mr. SMITH of Iowa. Certainly that is true, provided you watch your expenditures. So I come back to the question I had last year concerning indirect methods of avoiding caps that are understood to be—I mean, you have a cap on your salary, and it is not very high. I am glad you are there. I am glad you are doing it. You are not overpaid. I am glad you are doing it for what you are working for.

But this indirect method of paying people three times what you get for a part-time job, and it comes out of the same public till, is that still going on?

Mr. LEDWIG. The only statutory caps on salaries are at CPB, at PBS, and at National Public Radio. Otherwise, there are no statutory caps.

Mr. SMITH of Iowa. That is the indirect method I am talking about. Billing local stations for a share of the cost and then you inflate the cost by these high fees.

Mr. LEDWIG. It has not been my impression within public broadcasting that the stars, if you will, are paid anywhere near what they are paid on the commercial side.

Mr. SMITH of Iowa. That isn't the test. That is the very point. You are not supposed to be looking at the commercial side and trying to keep up with them. That is not the test at all. If it were, you would be getting five, 10 times what you are getting, wouldn't you?

Mr. LEDWIG. I would hope so.

Mr. SMITH of Iowa. I would hope so, too. You would be getting a lot more than that, 20 or 30 times what you are getting. But you are not supposed to be compared with commercial television.

Mr. LEDWIG. We do have information and we do surveys of the salaries for public television employees, and we are pleased to provide that kind of information. I believe, however, that you are referring to the salaries of the stars.

[The information follows:]

The salary surveys the CPB conducts are of full-time employees of Community Service Grant recipients. In television, on-air talent other than journalists are rarely regular employees of a broadcast licensee, and the hosts of highly visible nationally distributed programs are virtually never employees of a station.

For most of the public television or public radio programs in which talent—"stars"—are paid large sums, broadcast rights are purchased by stations in arms'-length transactions.

Talent who work as independent contractors, just like most of public broadcasting's suppliers of other goods and services, do not work exclusively in or for public broadcasting. The very considerable value of their time and effort is often established in a mostly commercial market. Many talented performers (and many public-spirited businesses) have traditionally given public broadcasting generous "breaks" from the fees that they charge for their work in other environments. Public broadcasters are also acutely cost-conscious about the programming that they buy. Public broadcasters, however, cannot expect to use only talent who are willing to donate their services in its programs anymore than they can expect to buy goods or services only from companies that offer generous discounts. At times, quality demand a price tag that is worth paying. That is a judgment that must be made on a case-by-case basis.

Mr. SMITH of Iowa. I am talking about the people, I gave you an example, you go out to Maryland and get $275,000 for a Friday afternoon half-hour. And then you bill back to the local stations. You know, it is an indirect method and no matter how much money we put in, how much more time you spend advertising, you can never keep up with the needs of public television if you spend it like that.

PERCEIVED BIAS OF PROGRAMMING

The other thing I wanted to ask you about is, Mr. Conte said something about the bias, and I watch a number of public television stations. I have to say this, I think it is a lot better than it was years ago. I noticed several programs a year ago that just were pretty bad, including two or three on "MacNeil/Lehrer." Just one-sided, you know. I haven't seen that lately.

Is there—have you done any monitoring of this? Is there any conscious effort to make sure they are balanced?

Mr. LEDWIG. It is certainly a subject within the industry that is discussed, and I think it is really just basic good journalism to be balanced and objective and to provide a variety of programs over a period of time. That is what we in public broadcasting try to do. We are sensitive to that.

We have certainly recognized and heard your comments last year at this hearing throughout the public broadcasting system, and I think we work very hard to be balanced and fair.

Mr. SMITH of Iowa. Of course, I guess each one of those segments, I assume, has a separate producer, don't they?

Mr. LEDWIG. Certain programs have segment producers, yes.

Mr. SMITH of Iowa. So, if one of the producers gets out of hand, you have to do something about that. But I want to say on the record, I haven't seen the number of instances in the last year that I had the year before. I just want to welcome you and say I am glad you are there. I think that these things that I have called to your attention last year and this year still need to be looked at.

Mr. LEDWIG. Thank you.

OFFICE OF TECHNOLOGY ASSESSMENT

Mr. NATCHER. Mr. Ledwig, what concerns has the Office of Technology Assessment raised with you recently regarding the final cost of the satellite replacement?

Mr. LEDWIG. We have been in discussions along with, of course, PBS and the National Public Radio, which under our authorizing legislation have the technical control over that matter.

We believe that we have satisfied their concerns, but it becomes a matter of judgment as to how much capability you need and where the industry is going, and it is difficult to change a satellite once it is up there.

We believe that we have a prudent request for technology that we need, and if history has told us anything, it is that we always needed more capability than we have ever put up before in the past.

So, I think our discussions and our disagreements have been upon how much will technology grow and how much spectrum will be required, in the future, and so our discussions have centered around, what the future may hold.

Mr. NATCHER. In addition to that, Mr. Ledwig, isn't there some difference now between you people and the Office of Technology Assessment in regard to the cost of the satellite?

Mr. LEDWIG. No, I don't think there is a large difference.

Mr. NATCHER. What kind of a difference would you say? What is the difference?

Mr. LEDWIG. I think somewhere between 182 and $200,000,000. I think the discussion would be in that range.

Mr. NATCHER. Somewhere between $182 million and $200 million. All right.

Mr. LEDWIG. I would not like to speak for them. If I might have them to answer for the record.

Mr. NATCHER. Give us a good figure in there now.

[The information follows:]

I understand that the difference between the estimate provided by the Office of Technology Assessment (OTA) and the amount that we are requesting to complete the satellite replacement projects relates primarily to the cost of the ground segment equipment required to utilize more fully the Ku-band space segment capability that has been acquired by public television. Since planning for the satellite replacement systems commenced, a variety of telecommunications advances and a surge in educational needs have occurred. These developments have dictated particular technical and capacity requirements for the public television space segment, most notably the need for a primarily wide-band, Ku-band transponder configuration. Finalization of the space segment design in turn required refinements in the ground segment to match and maximize the space segment capabilities acquired, so that, among other things, public television can deliver high quality, innovative, and interactive educational services to the nation.

CPB, PBS, and NPR have been, and will continue to be, in close communication with OTA regarding public broadcasting's satellite replacement needs and the estimated project costs. We are confident that as we continue to work with OTA to explain these needs and justify the various cost estimates, any remaining concerns that OTA may have about the need to appropriate the full $200 million authorized for this critical satellite replacement effort will be resolved.

(NOTE.—Subsequent to the hearing, CPB informed the subcommittee that frequent communication between public broadcasting and OTA had taken place, and additional information about the estimated satellite replacement costs had been provided and was being evaluated by OTA. Based on the most recent conversations with

OTA, CPB understood that the differences between the estimates had narrowed considerably and was confident that any remaining concerns would be satisfied.)

Mr. NATCHER. Can the committee be assured that these concerns will be addressed before we mark up the bill as to this cost? Can you give us——

Mr. LEDWIG. We will do all we can to address any concerns that the Office of Technology Assessment has.

Mr. NATCHER. What would be the average impact on public television and radio stations if they had to absorb an additional $20,000,000 cost of the satellite replacement?

Mr. LEDWIG. I think you would have it coming out of programming, and that is really where the change has to come. That, of course, hurts public broadcasting most of all. It would have to be absorbed out of programming. If it comes out of national programming, every dollar that can be spent on a national program can be seen on 300 stations. So it could have a serious impact if that had to be absorbed.

Mr. NATCHER. Yes.

We have a few additional questions for the record.

Mr. Ledwig, we want to thank you and your associates for appearing before our committee at this time on behalf of your budget request for the fiscal year 1993. Thank you very much.

Mr. LEDWIG. Thank you, Mr. Chairman.

[Questions and answers for the record and the justifications follow:]

SATELLITE FUNDING

Mr. Natcher: How would any shortfall in satellite funding not provided by Congress be split between television and radio?

Mr. Ledwig: If Congress chooses to not appropriate all of the funds it has authorized to replace public radio and television's satellite interconnection systems, public radio and television stations, through their designated representatives, would have to develop totally revised satellite replacement development plans to account for the loss of authorized funding. Since public radio and television have different system needs and plans their response to a shortfall in federal support would have to be balanced against the needs of their individual systems and the emerging technologies in their respective fields.

The Corporation for Public Broadcasting (CPB) would then review these revised plans and establish a method for allocating federal funds that would assure CPB that available federal funds would be used first to put in place technically current, basic interconnection services for all existing interconnected public radio and television stations. If funds were available to go beyond these primary services, CPB would distribute any remaining funds in a manner that would assure the greatest potential benefit for stations and audiences, consistent with CPB's responsibility to balance the needs of both public radio and television against available resources.

The actual allocation of appropriated funds between radio and television would depend on the amount of funds actually available and the cost of basic interconnection services for radio and television.

Mr. Natcher: What would be the average impact on public television and radio stations if they had to absorb and additional $20 million cost of the satellite replacement?

Mr. Ledwig: A funding shortfall would present public broadcasting with a variety of difficult decisions, and it is uncertain whether the licensees would ultimately decide to shoulder the financial impact themselves, or whether the planned replacement systems might instead be truncated in some fashion. But assuming for the sake of illustration that the licensees of both systems were to absorb the impact of a $20 million funding shortfall, one approach for apportioning the burden between television and radio -- used for purposes of illustration only -- might be to allocate the shortfall in proportion to the present cost estimates of the two projects, that is, 73.25 percent to television and 26.75 percent to radio. (Project cost estimates are $148 million and $54 million, respectively.)

On the television side, a $14.65 million shortfall represents more than $85,000 for each of the 172 licensees (operating 350 stations). If these costs were "assessed" among the television licensees in accordance with the formula now used for assessing membership fees, the costs would range from

approximately $40,800 (for KMOS, Missouri) to $712,200 (for WNET in New York).

Absorbing this impact in a single year would be unthinkable for virtually all the licensees. The system would therefore be likely to finance the shortfall; this would spread the costs out over time, but would also, of course, increase those costs. If the shortfall were financed over a seven-year period, the interest costs would increase the impact on each licensees by more than 40 percent.

Previous studies of the financial position of public television stations have shown that the stations typically have almost no capital reserves. The costs of a shortfall in the replacement project funding would thus need to be taken from the station's discretionary funds, which are the funds used to pay for programming. For television, $14.65 million would pay the full cost for nearly 100 hours of high-quality public television programming, or equal to five weeks of primetime programming. The total cost if financed over seven years ($20.9 million) would buy about 130 hours or programming, or an entire new season of SESAME STREET.

For radio, the average impact would be approximately $16,700 for each of the 320 public radio stations. Public radio cannot assess an additional cost to the stations to cover a shortfall in federal funding. The stations and the program distributors already pay the full annual operating cost of the satellite system, and the stations would be unable to shoulder any substantial increase. Therefore, the probable effect of a shortfall in federal funding would be that portions of the radio project that would not be accomplished. The resulting system would be inadequate to support the real needs of public radio through the next decade. One portion which undoubtedly would be affected adversely is public radio's expansion plans -- providing ground equipment to stations which are not presently interconnected. This was a high priority for the authorizing Committee. In addition, the public radio satellite system could easily fall far behind technologically, if the full $54 million is not appropriated. The next few years are expected to produce considerable advances in spectrum efficient digital technology, which public radio cannot implement without full funding of the satellite project.

Mr. Natcher: Assuming reauthorization in 1994, what would be the impact if the remaining balance of the satellite funding was split over 1993 and 1994?

Mr. Ledwig: The principal impact of a delay in the appropriation of any significant portion of the satellite replacement costs beyond FY 1993 would be to increase the total costs of the public radio and television projects by the cost of financing. The precise amount that would have to be borrowed, and for what period, would depend on how much of the appropriation would be delayed until FY 1994. Any delaying action this year might be taken as a sign of uncertainty that would affect the overall cost of any funds

borrowed subsequent to that decision by Congress. Any significant increase in the total project cost as a result of financing, would have the same effect as cutting the total amount appropriated, because funds originally planned for equipment expenditures would be needed for interest charges.

Mr. Natcher: What are the alternative methods to complete the satellite replacement with non-Federal funding, and what would be the fiscal impact of these approaches?

Mr. Ledwig: The report prepared by National Public Radio (NPR) and the Public Broadcasting Service (PBS), as required by law, submitted to Congress on October 2, 1989 responded specifically to Congress' request for additional information about the availability of private sector, rather than federal government, financing for the public radio and public television satellite replacement systems. Both public radio and public television devote substantial resources to private fundraising. After reviewing those funding sources, however, NPR and PBS concluded that there is little prospect of obtaining any significant private sector funding for the replacement projects. Any such special fundraising was seen as jeopardizing funding for other important public broadcasting purposes. After an independent review of the matter, CPB concurred with that judgment.

Thus, if Congress decided not to appropriate any significant portion of the $200 million authorized, completing the replacement projects as designed would require public television and radio stations to divert funds away from programming to defray not only the direct costs, but also the interest costs of borrowing funds to pay the direct costs.

Because of the wide diversity of financial resources among stations, the licensees would have to evaluate collectively the costs and benefits of redesigning the replacement systems to meet available funds or choosing to divert current revenues from other uses.

More important, if the public radio and/or public television systems as a whole decided to scale back their replacement systems, an unfortunate disparity among the nation's public broadcasting stations would be likely to develop. Stations with the financial ability to pay -- perhaps those located in affluent and urban areas -- might be able to adopt the promising and cost-effective new technologies, such as those in television for distant learning, but stations in other areas simply could not afford to do so.

NEW PUBLIC BROADCASTING STATIONS

Mr. Natcher: How much is included in your budget for step-up grants and how many new radio stations is this funding expected to bring into the system each year?

Mr. Ledwig: In FY 1991, $735,000 has been reserved for the two new radio expansion and the radio sole service grants. $575,000 is for the expansion grants.

Mr. Natcher: What is the annual increase in the number of public radio and television stations?

Mr. Ledwig: The number of public television grantees increases by two on average each year. The number of public radio grantees increases by 13 on average each year.

DOCUMENTARY FUNDING

Mr. Natcher: How much seed money is generally required for the average documentary?

Mr. Ledwig: Documentaries tend to be the most difficult type of program to underwrite from outside sources. Consequently, CPB almost always provides substantial or full production funding for documentaries. As a result, CPB's support for documentaries varies widely, depending on available funds and the needs of the producer. However, the average production grant is approximately $200,000.

Mr. Natcher: What is the average non-Federal match required to fund a documentary, and how many funding sources are typically required to fund these projects?

Mr. Ledwig: There is no non-Federal match required to fund a documentary. Producers often come to CPB with partial funding having already been secured, in which case, CPB may offer completion funding. In other cases, CPB may be the funder of first resort, offering a commitment contingent upon the producer's raising the additional funds from outside sources.

INDEPENDENT TELEVISION SERVICE

Mr. Natcher: How much programming and administrative funding are you providing to the Independent Television Service in 1990 and 1991?

Mr. Ledwig: During fiscal years 1990 and 1991, CPB will provide at least six million to the Independent Television Service (ITVS) each year solely for programming. In addition, in FY 1990, CPB is prepared to provide approximately $875,000 for first year administration and promotion costs and interest free loans for capital expenses associated with establishing the service. In FY 1991, CPB is prepared to raise this amount to approximately $1.6 million with the added funds directed primarily to promotion. Actual programs supported by the ITVS are not expected to be available for distribution until 1991.

Mr. Natcher: Give us a status report on the Independent Television Service. Tell us the size of their organization, and whether they are operational.

Mr. Ledwig: The Independent Television Service, Inc. (ITVS) was incorporated on September 22, 1989. An eleven-member board of directors has been appointed, and officers elected. The board has held monthly meetings since September, with the exception of February 1990. The board has formed working committees which are developing policies to be implemented by

the Service. They have submitted an operating plan and budgets for fiscal years 1990 and 1991, as well as by-laws. They propose the hiring of approximately ten full-time staff members, as well as additional part-time and contracted staff.

In accordance with CPB's statutory obligation to ensure that its federally appropriated funds are used "in a prudent and financially responsible manner" (47 U.S.C. 396(k)(2)(A)), and further in accordance with CPB's statutory obligation to approve a budget and plan for the ITVS (see 47 U.S.C. 396(k)(3)(B)(iii)(III)), CPB has reviewed the ITVS' operating plan and budgets, and is currently reviewing the by-laws. CPB has requested that the ITVS advise it of the Service's intentions in a number of areas yet to be addressed in the operating plan, and the ITVS has agreed to provide quarterly updates of its evolving plan to CPB. In the meantime, CPB has presented to the ITVS a comprehensive funding offer for fiscal years 1990 and 1991, which the ITVS is still considering.

The ITVS' fiscal agent is the New York Foundation for the Arts. They are temporarily located at the offices of the Association of Independent Video and Filmmakers in New York. They are seeking permanent space in New York. In December they hired a Director of Start-Up Operations. They have contracted with a search firm to locate a permanent Executive Director, and hope to have one available to begin on June 1, 1990, their target date for becoming operational.

PUBLIC TELEVISION OUTREACH ALLIANCE

Mr. Natcher: How much is included in your 1992 and 1993 budgets for the Public Television Outreach Alliance, and how is this funding used?

Mr. Ledwig: CPB's budget process for FY 1992 and 1993 will commence in October 1990 and October 1991, respectively. At that time, we will begin making commitments to continuing projects like the Public Television Outreach Alliance. CPB Management has recommended a continued commitment of $1 million in its FY 1991 budget presentation to the Board of Directors.

Funding for the Alliance is used to support one or two outreach campaigns each year focusing on relevant major social issues, e.g., illiteracy, drug abuse, AIDS, etc. Each campaign consists of the production of a national television program and attendant outreach activities at the local level across the country.

SITUATION COMEDIES ON PBS

Mr. Natcher: The Committee has heard that PBS is considering a shift in programming toward situation comedies and game shows to boost viewership. Are they on the right track?

Mr. Ledwig: The referenced PBS comments were taken out of context. While nothing precludes public television support of comedies or game shows, such programs would not be funded

for the singular purpose of boosting audiences. Programs in those genre would have to have significant cultural or educational merit in order to obtain public television support. The program PBS alluded to in its 'game show' comment is the GEOGRAPHY GAME SHOW FOR KIDS, a new concept for 9 to 13-year-olds, designed to reveal the drama and fun of geographic know-how. CPB provided development funds for that program.

EDUCATIONAL PROGRAMMING

Mr. Natcher: Do you have authorization to start an entirely new public television system which is dedicated to education programming? Is there sufficient demand for such a service?

Mr. Ledwig: The Public Broadcasting Act as it is currently written provides wide-ranging authority for CPB to accomplish a variety of activities, at the direction of Congress, to serve the American public through public telecommunications. However, the budgetary allocation provisions of the Public Broadcasting Act de facto restrict the Corporation from doing anything other than what it is currently engaged in. In order words, the Public Broadcasting Act's current arrangement is so restrictive on discretionary income for the Corporation that it is limited in its ability to launch any major new initiatives. However, if Congress did wish CPB to start an entirely new public television system dedicated to educational programming and was willing to direct CPB to do so by changes in the Public Broadcasting Act, including the loosening of the very restrictive allocation scheme for expenditure of its finances, CPB would be authorized to undertake such an activity. There is clearly an interest among all sectors in the country for increased involvement in educational programming. It would take a substantial amount of research to determine whether there was sufficient demand to support or to justify a dedicated broadcasting service for this purpose. In all likelihood, adequate provision of service could be provided by the current system if its activities were reoriented. That would take not only an amendment to the Public Broadcasting Act, but also the commitment by the local public television stations who are the final controller of the material that goes out over the airwaves.

EXPANSION OF PUBLIC BROADCASTING SERVICES

Mr. Natcher: As more cable and network programming copies the successful public television model, is there a declining need to expand public television services?

Mr. Ledwig: We have found that the impact of cable and network programming that seems to duplicate the public television model is, in fact, increasing the need to expand public television services.

Recent cable and network programming offering public television-type shows, or re-runs of shows that have appeared on public television help support our public television mission. The public is given greater access to our original and other source programming, and is getting greater use from

them. Viewer tastes may be developing to an even greater extent for public television offerings, increasing public use and demand for public television-type programming.

This is increasing the need for new, high-quality, innovative programming reflecting the mission of public television. But there is little evidence that cable and network channels will meet this need with their own productions. While they will air public television programming, the programs they produce themselves may have a decidedly different content because they are driven by commercial considerations to increase the size of audiences that can be exposed to advertising. For example, an A&E biography show may have a commercial incentive to focus on figures such as Princess Di and Babe Ruth, with numerous interruptions for commercials. By contrast, public television has produced award-winning biographical examinations of George Gershwin and Earl Warren that audiences can consider without constant commercial interruption.

Public television today must satisfy the growing demand for public television-type programming by producing more original, high quality programming that will build upon the programs produced or distributed in the past that are now sometimes available through other channels. And as some public television programming successfully spins off into the commercial world, public television must maintain its creativity and innovation in its programming to meet public needs in new ways in a television environment that is dynamic and rapidly changing. Public television has a long track record of pioneering or reviving television program types, which are then sometimes successfully adopted by commercial broadcast and cable programmers -- everything from movie reviews to gavel-to-gavel coverage of legislative sessions and analytical interviews as a news format. When others begin to do these, it is not time for public television to quit; it is time to start inventing again.

Finally, it should be remembered that one of the objectives of public broadcasting is to serve the underserved and unserved with diverse commercial-free programming. Public television now reaches 98 percent of all Americans by free, over-the-air broadcasting, while cable is available only in approximately 55 percent of all homes and is increasingly dependent upon commercial advertising and steadily increasing monthly charges to reach those homes.

CPB FULL TIME EMPLOYEES

Mr. Natcher: Provide for the record the number of FTE for the Corporation from 1980 to 1993.

Mr. Ledwig: Mr. Chairman, in 1988, CPB's reauthorization legislation capped the Corporation's administrative expenses to a fixed dollar amount subject to adjustment for inflation. This has effectively capped the staffing levels at CPB, notwithstanding, the increased costs associated with the administration of a larger appropriation and the substantially increased oversight and reporting

responsibilities also included in the legislation. Our staffing levels and administrative costs, as a percentage of our appropriation, are approximately one-third of government organizations performing similar functions; i.e. aproximately 4 percent versus 12 percent.

HISTORY OF CPB STAFFING

FY	Appropriations ($ in Millions)	Authorized Positions
1980	$152.0	148
1981	162.0	148
1982	172.0	135
1983	137.0	98
1984	137.5	90
1985	150.5	91
1986	159.5	100
1987	200.0	110
1988	214.0	114
1989	228.0	116
1990	229.4	110
1991	242.1	-tbd-
1992	251.0	-tbd-
1993	-tbd-	-tbd-

INTEREST ON FEDERAL APPROPRIATIONS

Mr. Natcher: How is the interest which you receive on invested Federal funding used?

Mr. Ledwig: All interest earned on federal appropriations, starting in FY 1990, is being distributed by statutory formula to radio and television programming activities. According to that formula, 75 percent of all interest earned on appropriations must be allocated to television programming activities while 25 percent must go to radio programming. CPB currently allocates the interest that is designated by law to go to radio programming as follows: 75 percent directly to stations for the purchase or production of non-local programming and 25 percent to the CPB Radio Program Fund.

AUDIT CYCLES OF PUBLIC BROADCASTING STATIONS

Mr. Natcher: What is the television and radio audit universe. What is the audit cycle and how long must stations retain their records?

Mr. Ledwig: Currently, CPB audits 194 public television licensees, representing approximately 350 public television stations and 314 radio Community Service Grant (CSG) recipients, representing approximately 400 public radio stations.

The audit cycle for CPB-supported stations is based on annual CPB funding which is relevant to budget size. Thus, the audit universe is categorized in three distinct funding groups:

- o Group One Recipients - represent less than 8 percent of all recipients, but receive about 45 percent of total CSG funding;

- o Group Two Recipients - represent about 45 percent of all recipients and receive approximately 47 percent of total CSG funds; and,

- o Group Three Recipients - represent more than 47 percent of all recipients, but receive only about 8 percent of total CSG funds.

To optimize the use of CPB's resources, we have developed an Audit Plan to focus on Groups One and Two to encompass three- and six-year audit cycles, respectively. This allows for the audit of recipients receiving 92 percent of CPB CSG funds to be audited at least once every six years. Group Three recipients are audited on an exception basis with current emphasis placed on newly qualified public broadcasting stations.

In addition, under section 396(l)(3)(B) of Title 47 of the United States Code, all recipients of CPB CSGs are also required to undergo a biennial audit by an independent certified public accountant or a licensed public accountant. These audits must be conducted in accordance with CPB's "Principles of Accounting and Financial Reporting for Public Telecommunications Entities." All audited financial statement (reports) are forwarded to CPB for review and comment.

CPB requires all recipients to retain CSG related financial and administrative records for at least three years which follows most commonly accepted standards for financial recordkeeping, including pertinent federal regulations on this subject (41 CFR 1-20.201 General Provisions, General retention requirements). However, based on the results of our audit efforts, we have found that stations typically retain their financial/administrative records for a period of five to seven years.

REPORT TO CONGRESS ON SATELLITE REPLACEMENT EXPENDITURES

Mr. Natcher: Provide a copy of the February 16, 1990 Report to Congress on the expenditures for the satellite replacement.

Mr. Ledwig: I will be happy to provide the information for the record. The information follows:

CORPORATION FOR PUBLIC BROADCASTING

Donald E. Ledwig
President and
Chief Executive Officer

February 16, 1990

The Honorable Robert C. Byrd
Chairman
Committee on Appropriations
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

Pursuant to S. Rept. 100-399, which accompanied H.R. 4783 making appropriations for the Corporation for Public Broadcasting for fiscal year 1991, I am pleased to provide the attached information on the expenditures and the status of negotiations with vendors selected to provide the necessary space-based and ground-based hardware required for the public broadcasting satellite system to be fully modernized and operational in fiscal year 1993. This information was compiled and prepared by the representatives of the public radio and television licensees, at the request of CPB, in order to meet the request of the Senate Committee on Appropriations that such information be provided on a semiannual basis.

Sincerely,

C: The Honorable Tom Harkin

1111 16th Street NW
Washington, DC 20036
(202) 955-5275

CORPORATION FOR PUBLIC BROADCASTING

Donald E. Ledwig
President and
Chief Executive Officer

February 16, 1990

The Honorable Mark O. Hatfield
Ranking Minority Member
Committee on Appropriations
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

Pursuant to S. Rept. 100-399, which accompanied H.R. 4783 making appropriations for the Corporation for Public Broadcasting for fiscal year 1991, I am pleased to provide the attached information on the expenditures and the status of negotiations with vendors selected to provide the necessary space-based and ground-based hardware required for the public broadcasting satellite system to be fully modernized and operational in fiscal year 1993. This information was compiled and prepared by the representatives of the public radio and television licensees, at the request of CPB, in order to meet the request of the Senate Committee on Appropriations that such information be provided on a semiannual basis.

Sincerely,

C: The Honorable Arlen Specter

1111 16th Street NW
Washington, DC 20036
(202) 955-5275

PUBLIC TELEVISION
SATELLITE INTERCONNECTION SYSTEM
REPLACEMENT PROJECT

January 31, 1990

This report highlights developments in the public television satellite interconnection system replacement project since the last semi-annual report was submitted to the Congress in August, 1989.

SPACE SEGMENT

PBS has successfully concluded its negotiations with space segment vendors, and has reached an agreement with AT&T Communications, Inc. for public television's next generation satellite system. The agreement has been approved by the public television Interconnection Committee, the PBS Board of Directors and public television licensees. The arrangement will provide public television with necessary satellite transponder capacity through the year 2005.

Although by its terms the PBS-AT&T agreement is confidential, its key provisions are summarized below. Further details on the agreement can be provided to the Congress on a confidential, "need to know" basis.

1. Long-Term Satellite Service

Under the terms of the agreement, PBS can acquire six transponders on AT&T's TELSTAR 401 satellite, scheduled to be launched and in operation in April, 1993. The new spacecraft will contain both C-band and Ku-band transponders; public television's transponder mix will include both Ku-band and C-band transponders. The final selection of transponders on the satellite will be made by PBS no later than December 31, 1990.

a. Characteristics of the TELSTAR 401 Satellite

The TELSTAR 401 satellite is to be located at the 97 degree orbital location, two degrees east of public television's current satellite, WESTAR IV (99 degrees). The TELSTAR satellite has a service life of twelve years and AT&T has warranted the transponders for the entire twelve-year period -- which, we understand, is a term unique to its agreement with PBS. TELSTAR 401 will provide full coverage to stations and other users located in the contiguous United States, Alaska, Hawaii and the U.S. Caribbean.

AT&T has agreed to provide multiple levels of transponder protection in the event any public television transponder fails

to operate properly during the warranty period. All transponders on the satellite are subject to intra-satellite protection, that is, they are protected by designated transponders on the same satellite. In addition, one Ku-band transponder will be designated as back-up on a separate satellite, thus providing inter-satellite protection in the event of catastrophic failure of the TELSTAR 401 satellite.

PBS expects the six-transponder system to meet the projected capacity needs of the nationwide public television system through the term of the agreement. In the event PBS, regional networks or public television stations require additional transponder capacity, the agreement provides for the acquisition of "occasional" transponder time at the lowest tariff rate then available for part-time rental of equivalent service. This service will be provided on a TELSTAR 400 series satellite on an as-available basis.

In addition to members of the public television community, other non-profit, "public television related" distributors of programs to public television stations or educational institutions will qualify for this discounted rate.

b. Need for Ku-band technology

As previously reported, it is clear that C-band transponder technology alone will not meet public television's future interconnection needs, particularly in the rapidly growing area of educational services. In this respect, the advantages of the wider bandwidth and higher power of Ku-band technology over C-band technology are significant.

First, the addition of higher powered, wide-band Ku-band transponders to the public television satellite system will enable public television to fulfill its commitment to expand and enhance the programming and related services provided to elementary/secondary schools, colleges and universities. Ku-band transponders will allow recipients of those services to use smaller and less costly satellite receive antennas (dishes), making it easier for public television to serve the educational community. The acquisition of wide-band, 54 MHz Ku-band transponders will also facilitate the development of a nationwide, "live", two-way digital data response system. This system is contemplated for use in interactive distance learning educational activities, among other applications.

Second, because of the smaller size and mobility offered by Ku-band uplink equipment, Ku-band technology will enhance public television's ability to feed live events from locations distant from C-band uplink sites, which would otherwise be inaccessible to satellite uplinking facilities.

Third, the acquisition of the higher powered, wide-band Ku-band transponders can accommodate the simultaneous

transmission of two distinct 27 MHz video signals. While the signal quality provided by dual-transmission video equipment is inadequate for "basic" broadcast services -- that is, general audience programming -- this technique can, in some instances, be employed for transmissions of certain instructional materials, and possibly for news gathering purposes. Technical tests and evaluations are continuing, and expected technological developments over the life of the new satellite system may make this technique even more useful in the future.

Finally, the acquisition of these Ku-band transponders will place public television in a position to deliver both digital and high definition television technologies after 1993.

2. Interim Satellite Service

Because public television's current satellite (WESTAR IV) is expected to reach its end-of-life in 1991, and the AT&T satellite will not be operational until 1993, two years later, interim satellite service has been obtained to bridge that time period.

Interim service for the period January 1, 1991 through the 1993 in-service date of the TELSTAR satellite will be provided on a satellite currently in operation. AT&T will lease this capacity from a third party (to be announced at a later date) and, in turn, sublease it to PBS. Interim service will be provided by four C-band transponders, replicating public television's current transponder configuration. The four transponders will provide full coverage to public television stations located in all 50 states and the Caribbean.

COSTS OF SATELLITE SERVICE AND ESTIMATED SYSTEMS ENGINEERING AND PROJECT COSTS

By the terms of the PBS-AT&T agreement, the specific costs associated with the purchase of the transponders on the TELSTAR satellite and the lease payments for the transponders on the interim satellite are confidential. However, in order to provide the Congress with an accurate overall cost estimate for the space segment portion of the project, Attachment A shows the aggregate cost associated with the next-generation satellite transponder capacity.

This aggregate cost totals approximately $87.5 million and includes:

(i) the lease payments for the four C-band transponders on the interim satellite;

(ii) the purchase price of six transponders on the TELSTAR satellite (five ku-band and one C-band transponders,

representing the most probable transponder configuration), including prepayment discounts;

(iii) associated insurance costs; and

(iv) estimated systems engineering and project costs.

Attachment B sets forth the payment schedule established in the PBS-AT&T agreement. These payment dates must be met in order to receive the prepayment discounts that are implicit in the $87.5 million cost figure for the space segment. If early payments are not made, the estimated costs will rise substantially -- to over $99 million, resulting in an unnecessary expenditure of approximately $11.5 million in federal funds.

Final costs will be provided to the Committees on a confidential basis after PBS has made a final determination as to the configuration of the transponders. As noted previously, such determination will be made no later than December 31, 1990.

GROUND SEGMENT

The recent conclusion of the PBS-AT&T satellite transponder agreement has allowed PBS to concentrate more closely on "the replacement, refurbishment [and] upgrading" of the ground segment portion of public television's next generation satellite interconnection system, in accordance with the Public Telecommunications Act of 1988 (P.L. 100-626, November 7, 1988). These efforts reflect the conclusion, noted previously, that Ku-band capacity is an important element enabling public television to continue its meaningful role in using telecommunications technology to help meet the nation's education needs.

Attachment A presents a detailed summary of public television's ground segment cost estimates. These estimates are based on a refined and site-specific engineering analysis of the needs and requirements of the current ground facilities, including improvements in those facilities necessary to meet the future needs of the educational community. Those improvements include equipment: (i) for an interactive data network using the Ku-band transponders; and (ii) to modernize the scheduling and operations functions to support the expanded, six-transponder public television interconnection system.

1. Interactive Data Network

Public television's present and future services to the educational community will be significantly enhanced by the addition of an interactive data network to supplement its educational programming services. The ability to convert the "televised classroom" from what is presently a one-way learning experience into an interactive one will transform the use of telecommunications in education. This opportunity -- made possible by the acquisition of the wide-band, Ku transponders -- will enable public television to deliver, in a cost-effective and efficient manner, services tailored to the special needs of individual students and teachers.

The interactive data network would allow the transmission of two-way data (and possibly audio) on a "live" basis. For example, it would be possible for a class in Denver to participate in an exercise conducted by a teacher in Atlanta. The system design would link the teacher with multiple local school sites (or "at home" students) receiving the video programming. Each student, using a computerized keypad at his or her desk, could, for example, type answers to questions, ask questions of the teacher and take tests simultaneously with the video instruction. Student responses would be collected on a local computer.

The compiled data from each classroom would be transmitted by modem (or other technology link such as cable) to the local

public television station. The data would then be collected by the local public television station (acting as a "hub" for all remote sites located within its service area). The station would then rebroadcast the information via an uplink terminal over the Ku-band transponder(s) to the central receive site located at PBS. At the PBS site, the information would then be collected and compiled from the various public television stations and uplinked to the point of origin (in this case, the teacher in Atlanta) using the Ku-band network system. Through this network, teachers conducting televised classrooms could obtain an immediate computerized profile of participating students to determine whether the students are learning the material.

A similar type of data network is now being used on a local level in Kentucky. The Kentucky State Board of Education, working jointly with Kentucky Educational Television (the local public television licensee), uses Ku-band technology to link students in 38 high schools located in remote areas throughout the state with teachers conducting "satellite" classrooms. Using this technology, students now have access to foreign language and other advanced and specialized courses that would otherwise be unavailable to them.

The implementation of a nationwide interactive data network will assist public television in enhancing its services to the educational community. In addition, implementation of the nationwide interactive data network system offers many other possible uses for public television, such as data and document transfer, as well as the ability to provide voice transfer among multiple sites. The system can be used to to improve communications within the public television community in general, that is, PBS, more than 337 stations, and regional network operations.

2. Public Television Scheduling and Satellite Operations

Due to the projected increases in programming services which necessitate expansion of the current four-transponder system to a six-transponder system, the public television national and regional scheduling and operations functions must be modernized. The ground segment cost estimates therefore include computerized equipment and other telecommunications support equipment needed at PBS and at regional uplink sites. The estimated costs also include automation equipment to coordinate and operate the multiple satellite feeds in a cost-effective and efficient manner.

3. Receiver Equipment

As described in the August, 1989 Report to the Congress, public television has already begun to replace its station receiver equipment. Each public television station is being equipped with four receivers, capable of receiving both C-band and Ku-band satellite transmissions. The agreement with the

manufacturer, Standard Communications, Inc., provides that the new receivers will be delivered and installed over an eighteen-month period. Deliveries began in July, 1989, and new receivers have already been installed at a number of stations.

TOTAL SYSTEM COST ESTIMATES

PBS's current estimate of the cost of replacing and refurbishing the public television satellite interconnection system is $147,909,381. (See Attachment A.) Approximately $10.5 million in funds have been advanced by PBS toward project expenses incurred to date. These outlays include: (i) $8,700,000 toward the space segment; (ii) $189,000 in connection with the ground equipment; and (iii) $1,562,000 in systems engineering and project costs. See Attachment C for an itemization of expenses incurred and paid.

* * * * *

ATTACHMENT A

PUBLIC TELEVISION
SATELLITE INTERCONNECTION REPLACEMENT AND REFURBISHMENT
SUMMARY ESTIMATED COSTS
JANUARY, 1990

SPACE SEGMENT

1. **PBS/AT&T Contract and Estimated Systems Engineering and Project Costs**

   a. Interim Service

   AT&T will arrange with a third party (to be announced at a later date) to provide interim service to public television from January 1, 1991 to April 1, 1993 on a leased basis. Service will be provided by four C-band transponders on a satellite currently in operation. To assure continued service in the event of an in-orbit catastrophic satellite or transponder failure, one transponder will be "fully protected": that is, PBS will be guaranteed service on a back-up transponder on another satellite.

   b. Long-Term Service

   The final transponder configuration will consist of a total of six transponders, one 36 MHz C-band transponder and five 54 MHz Ku-band transponders (or some other mix of C-and Ku-band transponders). To assure continued service in the event of an in-orbit catastrophic satellite or transponder failure, one Ku-band transponder will provide inter-satellite protection: that is, PBS will be guaranteed service on a back-up transponder on another satellite.

   These transponder costs include estimated insurance costs (based on broker's estimate of current market insurance rates).

   c. Estimated System Engineering and Project Costs

   Based on budgets for the Satellite Replacement Office for Fiscal Years 1987 through 1991.

Total Satellite and Estimated Systems Engineering and Project Costs **$87,457,900**

Note: This cost estimate assumes public television will make early payments for the satellite transponders (both for the lease and the purchase), and will thus realize substantial prepayment discounts. Public television's ability to do so depends upon available funds from the Satellite Interconnection Fund appropriated by the Congress.

GROUND SEGMENT

1. C-Band Uplinks

a. PBS Uplink Site

The FCC's two-degree spacing requirements necessitate the replacement of existing C-band antennas and equipment at the PBS Satellite Operations Center (formerly known as the Main Origination Terminal or "MOT"). The budget for the PBS Satellite Operations Center, including installation of the fiber optic link from the PBS Technical Center to the Satellite Operations Center and replacement of the emergency power system, is $2,941,856.

Computerized equipment and other telecommunications support equipment is necessary to schedule, coordinate and operate multiple programming feeds on the expanded six-transponder system. The budget for this equipment is $3,248,000.

$6,189,856

b. Regional Network Uplink Sites

The budget for the replacement of existing C-band antenna equipment at the four regional network uplink sites in order to meet the FCC's two-degree spacing requirements is $2,200,000. That amount, combined with $400,000 required for scheduling support equipment at the regional network sites, totals $2,600,000.

$2,600,000

2. C-band Station Downlinks

Plans call for a complete replacement of electronics and, where necessary, mechanical refurbishment of the antennas for the existing C-band ground system (173 sites at an average cost of $58,100). The actual cost of each site will vary because the condition of the existing equipment varies. Also, "non-collocated" sites may require refurbishment of the

microwave link between the station master control and the receive dish antenna, and some sites may have other special requirements. Actual site costs range from $25,000 to $61,000.

$10,050,825

3. **Ku-Band Uplinks**

a. PBS Uplink Site

The addition of Ku-band uplink antennas and equipment at the PBS Satellite Operations Center, including network equipment for interactive, educational network programming services, equipment required for the transmission of dual-video program feeds over two wide-band Ku-band transponders, and equipment required to accommodate multiple program feeds, dual-channel video and digital and HDTV transmissions.

$3,300,000

b. Regional Network Uplink Sites

The addition of Ku-band uplink antennas and equipment at the four regional uplinks sites is budgeted at $592,400 per site.

$2,369,600

4. **Ku-band Station Downlink Sites**

Based on complete installation of Ku-band equipment, including data uplinking capability for interactive, educational network programming services (183 sites at an average cost of $196,400). Also included is downlink equipment to enable each station site to receive dual-channel video on two wide-band Ku-band transponders. Like the C-band equipment, the actual cost of each site will vary. The cost of each Ku-band downlink also reflects differences in antenna size depending on climate and terrain conditions.

$35,941,200

Total Estimated Ground Segment Costs **$60,451,481**

TOTAL PUBLIC TELEVISION SATELLITE INTERCONNECTION REPLACEMENT AND REFURBISHMENT COSTS **$147,909,381**

ATTACHMENT B

PBS-AT&T CONTRACT
PAYMENT SCHEDULE

The substantial prepayment discounts are based on the following payment schedule. Due to the confidentiality provisions of the agreement, the precise amounts cannot be disclosed. Actual amounts will be reported to the Committees on a confidential basis in January, 1991.

Due Date	Amount
At contract execution: 10/27/89	Down payment into escrow account (completed)
12/31/90	47% of remaining balance due
12/31/91	Balance due (53%)

Public television's ability to meet this payment schedule and take advantage of these discounts will depend on: (1) the timely allocation of funds between public radio and public television, and (2) the timely allocation between the ground and space segments of the FY 1991 and FY 1992 appropriations to the Satellite Interconnection Fund.

ATTACHMENT C

PUBLIC TELEVISION SATELLITE INTERCONNECTION REPLACEMENT AND REFURBISHMENT EXPENSES PAID TO DATE

1. Fiscal Year* 1990 Capital Expenditures

   Space Segment:
   Lease prepayment for interim service
   Down payment for long-term service purchase
   $8,734,634**

   Ground Segment:
   Payment for receivers delivered to date
   $188,843***

2. Systems Engineering and Project Expenditures

FY 1987	$181,798	
FY 1988	622,805	
FY 1989	521,978	
FY 1990	235,151	
		$1,561,732

TOTAL EXPENDITURES TO DATE $10,485,209

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* PBS's fiscal year ends June 30th.

** Funded in part through private financing source.

*** The total commitment for the receiver program is approximately $1.8 million, including receivers and related equipment; $188,843 represents cash payments to date.

The attached Semi-Annual Report for Congress includes the names of satellite transponder vendors and other information which identifies these entities. This information is provided on a CONFIDENTIAL basis pending the signature of the final contracts and the formal announcement of this information. No PUBLIC REFERENCE to the name of the vendors, satellite identity or location should be made until further notice by CPB.

EMBARGOED UNTIL OFFICIAL NOTIFICATION BY THE CORPORATION FOR PUBLIC BROADCASTING

PUBLIC RADIO'S FUTURE
INTERCONNECTION SYSTEM PROJECT

Semi-Annual Report for Congress
February 1990

National Public Radio has completed negotiations to obtain C-band satellite transponder capacity for the second generation public radio satellite interconnection system. On Feb. 7, 1990, the NPR Board authorized signing of a contract with Hughes Communications Galaxy for service which is intended to provide public radio with continuity and flexibility for growth at 99° W.L. from the end-of-life of Westar IV, the current public radio satellite, through approximately the year 2005. The Board also authorized the acceptance of a bank loan commitment to bridge the payment for transponder service until the appropriated federal funds become available.

The transponder acquisition plan provides up to fourteen years of total service. This is several years longer than the ten years originally assumed to be the longest available service period. The public radio total cost projection for space segment, ground hardware, and all other expenses including an increased allowance for expansion, is now $54 million, an almost $5 million savings from the estimate provided to the Committee last summer.

Under the contract with Hughes, public radio will lease capacity on the Hughes Galaxy VI satellite from the Fall of 1991 to mid-1993. The satellite will be placed at the 99° W.L. orbital location to provide service until the launch to that same 99° location, in mid-1993, of Galaxy IV, a hybrid satellite (C-band and Ku-Band). Back-up capacity during the Galaxy VI lease will be provided by a transponder on GTE's Spacenet I satellite already in orbit at 120° W.L.

Public radio has purchased two transponders on the Galaxy IV satellite to accommodate the planned increase in public radio distribution requirements in the next decade. The transponders are "inter-satellite protected" by a Galaxy in-orbit spare, so that if there is a failure of the satellite, public radio's services will be restored on the back-up satellite. Under the contract with Hughes, public radio also will have the ability to use two transponders while on Galaxy VI during the transitional time between 1991 and 1993. Public radio's additional capacity will allow orderly growth in analog services and the future use of digital services alongside the continuing analog transmissions.

The continuation of analog C-band technology will permit the retention and gradual refurbishment of the current public radio ground system infrastructure. The retention of existing ground hardware is the most economical method of providing future interconnection services, and also continues the operational flexibility and high-quality technical performance for radio

which has served the system well for the past ten years. By acquiring additional transponder capacity at this time, public radio will assure that use of new transmission technologies can be phased-in when appropriate and the planned expansion of public radio services using current technology can be accommodated from the outset of the second generation system.

Public Radio Cost Projections

The total cost projection for the second generation public radio interconnection system is $54 million. Expenses included in the total cost are:

	Amount (in millions)	% of Total
Space Segment and Related Costs	$30.4	56.3
Transponders*		
Insurance		
Satellite Operating Support System (Software & Hardware)		
Ground Segment Costs	20.0	37.0
Receive-only Earth Station Equipment		
Network Technical Control		
Uplink Equipment for 2° Spacing		
New Technology Development & Deployment		
Limited Ku-Band Equipment		
Test Equipment		
Spares, Shipping, Contingency & Sales Taxes		
Project Administration	3.6	6.7
Prime Contractor & Staff**		
TOTAL	$54.0	100.0

*Includes all transponder arrangements from 1991 up to 2005
**Temporary positions only for duration of project

1. Space and Related Costs $10.377 M

The space segment cost projection includes the new transponder arrangements described above, transponder insurance, and the Satellite Operating Support System (SOSS). The SOSS gives public radio the essential capability to schedule and control transponder use, as well as providing user stations with data communications and a system for automatic program recording. The current operating system is one of the most technically obsolete portions of the system. The hardware for part of it is a 1972 generation computer for which spare parts are no longer available.

2. Ground System Costs

Refurbishment and improvements to the ground system will be phased-in between 1991 and 1993. The emphasis in ground system planning has been on assuring that the future system is as reliable, flexible, and efficient as the current ground system. As part of FY 1989 project activities, a complete inventory of existing ground equipment was completed to establish the age, condition and deployment of locally-based equipment and to determine what elements need replacement. The cost projections for the ground hardware are based on that survey and the specific requirements of the space segment contract. The plans for ground system changes include:

a. Downlink Equipment at Stations $8.046 M

Refurbishment and expansion of local station receiving equipment will ensure continued high quality delivery of public

radio programs. All local station dishes will be equipped to operate properly in the two transponder environment and replacement electronics will be supplied where necessary to account for the effects of aging of the original ten-year-old equipment.

Public radio has recently committed to a system-wide strategy aimed at expanding service to unserved geographic areas and better serving underserved audiences. The Task Force on Public Radio Expansion identified as a high priority the establishment of new downlinks at 50 existing stations currently without such facilities. Matching funds to support construction at approximately half of the stations now identified as needing downlinks is included in the ground segment cost projection.

b. Network Technical Control Expansion $3.972 M

The Main Origination Technical Center (MOTC), located at NPR's headquarters, is already operating beyond the capacity of its original design and will be upgraded to include equipment for managing expanded public radio channel capacity and monitoring equipment for full two transponder operation.

c. Uplink Modifications $4.047 M

There are currently 22 public radio uplinks, but only ten of them are properly equipped to comply with changes in FCC rules regarding two-degree satellite spacing. New antennas will be required at 12 stations and changes will be necessary in the electronics of all uplinks for proper operation with two transponders. The replacement of uplink antennas will be on an

accelerated schedule as a result of the public radio space segment decision. The orbital location at 99° is expected to be in a 2° spacing situation as early as 1991. In order for the public radio uplink system to remain viable, new antennas will be installed at non-compliant sites during the summer 1990 construction season. A limited number of new uplink facilities will be established through a competitive matching program beginning in FY 1993 to improve the flexibility of access to the transponders from areas not now served.

d. New Technologies and Test Equipment $2.630 M

The future interconnection system must permit public radio to use the new technologies which are developing at a rapid pace. The acquisition of two transponders will provide the necessary bandwidth and power for use of digital technology when it is appropriate for public radio. A development fund and the ability to deploy a limited amount of advanced equipment to local stations is vital to assuring that public radio can stay in the mainstream of technological progress in the new decade.

Ku-band equipment will be obtained to allow for back-haul of program material from remote locations where C-band transmission is impossible or impractical. A single Ku-band receive-only dish will be located at the Main Origination Technical Center and a mobile Ku-band uplink will be made available to support public radio needs for flexible newsgathering and short-term remote feeds without the terrestrial interference, complex and expensive frequency clearances, or other problems associated with mobile C-

band operations. A signal received via Ku-Band can be relayed by NPR for either simultaneous or delayed distribution to the entire public radio system through the main C-band interconnection system.

Public radio will be operating in a more complex satellite environment in the next generation. The various uplink locations, the MOTC, and the Repair Depot will require additional test equipment to operate in both digital and analog modes and with both C and Ku-Band equipment.

e. Spares, Shipping, Contingency and Sales Taxes $1.3 M

The public radio interconnection system provides a centralized repair depot to provide fast and efficient repair of all standard system equipment from the local radio stations. The operating costs of the Depot are covered by pooled funds from all participating stations. The future system project includes an allowance for spare parts equivalent to five percent of new hardware purchases for use with Depot repair and replacement activities.

A necessary part of any large project is a small flexible pool of funds to cover sales taxes in the states which do assess such costs to non-profit organizations and to permit the public radio system to handle extraordinary developments which cannot be predicted. The costs for shipping, sales taxes and a reduction for competitive discounts were computed by the firm of Touche Ross in 1988.

3. Project Administration $3.607 M

The Project Administration projection includes the cost of a Prime Contractor for certain nationwide installation activities and the cost of temporary professional staff and related expenses for the life of the project. The Project Administration costs were computed by Touche Ross in 1988.

Expenditures to Date

The personnel and operating costs of the Future Interconnection System Project Office (FISPO) were the only expenditures toward the project in FY 1988 ($117,813) and FY 1989 ($270,524), but in FY 1990 we will begin expenditures for project hardware and space segment costs. The FY 1990 expenditures will be reimbursed from Satellite Interconnection Fund appropriations in FY 1991. As we told the Committee at the outset of this project, the space contracts require payment in FY 1990, for which NPR has secured bridge financing which will be repaid from future appropriations.

Bids are to be solicited shortly for antennas to assist approximately a dozen stations which will need to remove their downlink electronics from dishes belonging to PBS stations before the PBS service moves to another orbital location in early calendar 1991. The antennas necessary for compliance with the FCC 2° spacing rules will be procured for the twelve uplinks which are not now compliant. In addition, design work on network control facilities and software specification for the operating system will be contracted in FY 1990. NPR may have to borrow to

cover these expenses until appropriated funds are available. Other expenditures in FY 1990 have included, so far, increased staff for the project office, special legal counsel during space contract negotiations, and engineering studies for design of the new Satellite Operating Support System.

The total radio cost projection includes a significantly longer total satellite life plus increased expansion activities within the total of $54 million. That total is a reduction of almost $5 million from the previous budget.

RADIO SATELLITE INTERCONNECTION

Mr. Natcher: What is the total cost of the radio satellite interconnection cost and what percentage is Federally funded?

Mr. Ledwig: In FY 1990 the estimated net operating budget for the public radio interconnection system is $5.5 million. CPB will directly provide $410,000 of that amount in support of specific interconnection related projects. Resources to cover remaining costs are derived from fees from interconnected stations, program producers and other occasional users of the interconnection system. The exact amount of these costs that are actually paid with federal funds is not known. However, since public radio stations can use their CPB Community Service Grants (CSG) to pay their interconnection fees, federal funds, in the form of CSGs, are assumed to be passed through to National Public Radio (NPR), the operator of the interconnection system to cover the station's direct costs of interconnection ($2.2 million). CPB reached an agreement with public radio in the early 1980's whereby the stations themselves would take on the total cost of operating the radio system.

TELEVISION SATELLITE INTERCONNECTION

Mr. Natcher: What is the total cost of the television satellite interconnection cost and what percentage is Federally funded?

Mr. Ledwig: In FY 1990 the estimate net operating budget for the television interconnection system is $10.2 million. Because Congress has included language in CPB's authorizing legislation which makes CPB's direct support of interconnection a priority item for system support funds, CPB, through a contract with the Public Broadcasting Service (PBS), provides grants to stations that cover 50 percent of these operating costs. Public television stations also can use their Community Service Grant (CSG) revenue to pay remaining interconnection charges.

By mutual agreement between CPB and public radio stations, the direct costs of operating the radio interconnection system are now paid solely by interconnected radio stations. No such agreement has been reached with public television stations.

PRESIDENT'S BUDGET PROPOSAL FOR SATELLITE REPLACEMENT

Mr. Natcher: What is the basis for the President's Budget proposal for satellite replacement funding?

Mr. Ledwig: The President's budget for CPB for FY 1993 simply proposes that $47 million be appropriated "to conclude the federal contribution to the replacement of public broadcasting's satellite capacity." The basis for this proposal is not provided.

MINORITY PROGRAMMING

Mr. Natcher: How much has been annually allocated for minority programming from 1990 through 1992? How are these funds distributed?

Mr. Ledwig: CPB has never allocated a specific set aside for minority programming during the budget process. Support for minority programming has always been a priority for CPB and the record of that support over the years speaks for itself, with as much as 27 percent of all television program funds being expended in support of minority production in a given year. In a new initiative, CPB will now set aside an additional $3 million annually for minority programming.

INDEPENDENT TELEVISION SERVICE

Mr. Conte: The Independent Television Service (ITVS) was created by Congress to provide minority and independently produced shows to the public broadcasting system. What is your assessment of the objectives and priorities of this effort?

Mr. Ledwig: The objectives and priorities of the Independent Television Service (ITVS) Board, as outlined in their operating plan, seem to be a legitimate and appropriate means of achieving their goal of expanding the diversity and innovation of programming available to public broadcasting. CPB is supportive of this goal.

Mr. Conte: The ITVS Board has been meeting since it was incorporated last September. Are they any closer to naming an executive director?

Mr. Ledwig: A search firm was selected to recruit candidates. Names have been submitted and are under consideration. They hope to interview candidates this month and present the ITVS Board of Directors with a final candidate at its May meeting.

Mr. Conte: How much will CPB spend for ITVS in 1990, 1991, and 1992?

Mr. Ledwig: CPB has reserved at least six million for direct program production support for fiscal years 1991, 1992, and 1993. In addition, we have offered the Independent Television Service (ITVS) approximately $875,000 in non-programming support for FY 1990, and are prepared to raise that figure to $1.6 million in FY 1991 when promoting ITVS programs will be underway. Planning for FY 1992 will be undertaken as part of CPB's normal FY 1992 budget development cycle which will start in the fall of 1990.

Mr. Conte: When can we expect the first programs produced by ITVS to appear on public television?

Mr. Ledwig: It is difficult to say at this time. Current projections call for allocating funding to particular projects by the end of this year. The production of independent programs takes anywhere from one to several years. (If they provide full funding, as they hope to, completion time is expedited.) Once individual programs are produced, many of them will be packaged to enhance distribution possibilities. This will take additional time. Public television stations will ultimately make the determination as to whether or not programs are appropriate

for broadcast and, if so, at what time. It is expected that individual programs will not be available for broadcast until 1991.

Mr. Conte: What programs that will be produced by the Independent Television Service are being considered for public television?

Mr. Ledwig: It is much too early in the establishment of the Independent Television Service (ITVS) to know what they will produce. However, public television will consider all of the programming that emanates from the ITVS for broadcast.

Mr. Conte: What consideration has CPB given to starting a similar program for public radio?

Mr. Ledwig: I have considered the possibility and, in my opinion, an independent service for radio is not the most practical and effective means of achieving independent participation. The history of CPB demonstrates that when the Corporation has had the most discretionary authority to carry out its legislative mandates, it has been the most responsive to Congress and has achieved the most for the American people. Conversely, when that authority has been constrained by legislatively allocating resources, the result has been a more inefficient allocation of those same resources.

SEQUESTRATION

Mr. Conte: What impact has sequestration had on CPB?

Mr. Ledwig: In the fall of FY 1989 CPB eventually lost $3.257 million through sequestration. This cut in federal support rippled through our statutory formula and affected the grants of every eligible public radio and television station receiving CPB support. In addition, funds budgeted for programming support and other activities that support the growth and development of public broadcasting stations were all negatively affected by the cuts in funding levels.

However, the process of sequestration was far more disruptive than immediately implied by the loss of these funds. At the will of Congress, federal support for public broadcasting is determined two years in advance of the fiscal year when funds are made available. This "advance funding" was established, in part, to fix with certainty the federal contribution so that programs could be planned and additional non-Federal funds raised based on the assurance provided by the Federal funds. Further, basic needs of the system could be planned for with confidence that funds would be available to cover their costs.

Stations use their federal funds to support programming and other activities that require long lead times. While they get 80 to 90 percent of their total revenues from non-federal sources, these funds generally are the result of fundraising during the budget year and are not assured in the same way as their CPB funds.

In the fall of 1989, sequestration caused two major disruptions within public broadcasting. First, it completely erased the assurance public station managers had that their federal grants would not change at the last minute based on their understanding of "advance funding," thus injecting substantial uncertainty into their future program plans and budgets; and second, it threw their current year operating budgets into turmoil.

Public broadcasting stations generally budget on a June to July fiscal year. Thus, in October when the Treasury Department unexpectedly withheld over $12 million from CPB while the debate over sequestration went on, most stations were already into their second fiscal quarter. Had the full $12 million sequestration gone forward, stations would have had to absorb a major cut in federal support with less than seven months left in their fiscal years. This action would have magnified the impact of the eventual cut several fold. The last minute reduction in the amount of funds actually sequestered mitigated the problem to some extent, but the full effect of the renewed uncertainty surrounding federal funding support remains to be seen. Further, in the future should the replacement satellite appropriation be sequestered, then contracts recently signed by the Public Broadcasting Service (PBS) and National Public Radio (NPR) would be unfunded by the amount of the sequester, causing potentially serious financial consequences for public broadcasting.

Mr. Conte: Is sequestration good?

Mr. Ledwig: CPB is not in a position to render an opinion about whether or not sequestration is "good." Sequestration is a mechanism described in the Balanced Budget Act, also known as the Gramm-Rudman-Hollings Act for achieving deficit reduction through the federal budget. It is a mechanism which applies to the Executive Branch and to the government agencies which receive appropriations managed by the Executive Branch. As such, CPB is not, and should not be, affected by the mechanism. While CPB is not in a position to opine on the value of sequestration, it is in the position to have an opinion on its application. As discussed earlier in these questions, it is CPB's considered view that Congress' intent authorizing the Corporation was not to make it subject to these types of Executive budgetary mechanisms.

NATIONAL PROGRAM FUNDING PLAN

Mr. Dwyer: CPB has requested $285 million, the authorized level, for fiscal year 1993 for the Public Broadcasting Fund. In fiscal year 1992, you received $251 million, an increase of nearly $10 million from the previous year.

In CPB's report, "Meeting the Mission in a Changing Environment," one problem cited by respondents of a survey of system professionals was a lack of dollars for national program financing. In addition, respondents cited problems with the administration of programming funds. What does CPB have planned to address these criticisms?

Mr. Ledwig: In an effort to address the issue of lack of sufficient national programming dollars, CPB will continue to appeal to Congress for increased appropriations. In addition, efforts are on-going to identify sources of outside funding for public broadcasting. CPB also continues to explore international coproduction ventures as a means of supporting its national programming.

With regard to the respondents' comments about problems with the administration of programming funds, CPB's recent study and the ensuing report to Congress address this issue. I believe that the financing plan proposed to Congress represents the best approach to improve public television's quality and its responsiveness to the needs of the American people. It is also designed to streamline the program decision-making process and encourage close working relationships among the national funding and distribution organizations and the system as a whole.

Mr. Dwyer: CPB conducts a needs assessment each year to identify the ways public television can use its national programming to meet the desires of its viewers. What were the findings of CPB's most recent needs assessment?

Mr. Ledwig: Under the new public television program funding plan described in the report to Congress "Meeting the Mission in a Changing Environment," CPB will lead a needs assessment each year. The first of these assessments is getting under way currently, and the first outcomes will be available in September 1990.

Mr. Dwyer: What does the CPB plan to do to meet the needs raised in the assessment?

Mr. Ledwig: CPB will evaluate the PBS management's proposed multi-year program plan, which will be required, inter alia, to meet certain needs identified in the needs assessment process led by CPB. Since the funds provided by CPB under the plan will be administered by PBS under contract, PBS' use of these funds will be measured against the terms of that contract, including provisions requiring that certain identified needs be met. This arrangement will allow CPB to retain sufficient accountability to the public for the use of the funds. The CPB Program Fund will work with PBS and with other funders to respond to that multi-year program plan, or to work toward remedying any deficiencies or failure to meet identified needs that CPB may perceive in multi-year program plan adopted by the Policy Committee.

Mr. Dwyer: The "Mission" report recommends a multi-year program plan to improve coordination and planning. With the implementation of a multi-year planning program, will CPB switch to a multi-year needs assessment?

Mr. Ledwig: The multi-year planning process is to be renewed annually, with a horizon of about three years out for each annual revision. The needs assessment is to have a similar or longer horizon to each of its annual updates.

Mr. Dwyer: The report also proposes to create a National Program Policy Committee. One of the benefits the Committee would provide is protection against "improper pressure and influences" to ensure the integrity of the programming process. As it is currently structured, do you believe that the programming process is exposed to "undue influence?"

Mr. Ledwig: No, I do not.

Mr. Dwyer: Do you believe that the Policy Committee could do its job too well? How will we insure that the programming process is not sheltered from legitimate concerns and criticisms?

Mr. Ledwig: No. I believe it will be an effective governing body. The Program Policy Committee is structured to ensure diversity of voice reflective of the entire public television community. The Policy Committee will be composed of the following individuals: 1) four public television broadcasting station representatives; 2) two public television producing station representatives; 3) two minority representatives; 4) two independent producer community representatives; 5) two CPB representatives; 6) three at-large representatives; 7) two ex-officio representatives: chairman of PBS Board and PBS president. This structure should ensure that the programming process is not sheltered from legitimate concerns and criticisms.

Mr. Early: CPB is requesting $191,975,563 for direct public television support. Could you provide for the record how these funds would be allocated according to the current funding structure and the proposed funding structure?

Mr. Ledwig: First of all, there will be no material change between the funding structure now in place and the one that we expect to be used in FY 1993. Under CPB's current authorizing legislation, 75 percent of funds designated for public television support will go directly to eligible stations in the form of Community Service Grants (CSG). The remaining 25 percent remains at CPB for our use in directly supporting the development of public television programming. Under the proposed plan to improve national programming, CPB would contract with the Public Broadcasting Service (PBS) for the administration of a portion of this latter pool to meet certain requirements identified by the CPB-led needs assessment. That plan is expected to result in approximately $22.5 million going to PBS, starting in FY 1991.

PRESIDENT'S BUDGET PROPOSAL VS. CPB REQUEST

Mr. Early: The President's proposed budget asks for $259,565,000 for general system support, a difference of $25,435,000 less than CPB's request. If the committee split the difference between the two requests, what impact would that have on CPB and CPB programs?

Mr. Ledwig: The Administration's proposal would provide public broadcasting with less growth than will be required to keep pace with inflation. Such modest growth would in fact reduce

federal support to individual stations since new television and radio stations are being added to the list of grant eligible stations annually.

CPB's full request would allow for some modest real growth in support for existing stations while accommodating new stations into the system without damaging existing station support. The marginal impact of an appropriation level lower than the CPB request is difficult to estimate because we cannot identify beforehand which program would not receive funding or which station would not receive a grant at the lower funding level. The value of a particular program that would not be funded under the lower funding level is difficult to estimate. It may be some reasonably light cultural program or it may be the 1993 equivalent of EYES ON THE PRIZE or similar social commentary that has helped define our culture.

SATELLITE REPLACEMENT FUNDING REQUEST

Mr. Early: CPB is requesting $66,940,000 for the satellite replacement project. This amount would bring this project to the full authorized level of $200,000,000. What is the current status of this project?

Mr. Ledwig: Procurements are now completed for the space segments, and are underway for major portions of the equipment in the ground segments.

Public television. PBS issued a request for proposals from space segment vendors in November of 1987. Responses were received from five vendors.

After preliminary technical evaluation, PBS pursued full negotiations with three vendors. Various combinations of price, service, transition timing, backup arrangements, transponder specifications, transponder frequencies (C-band or Ku-band), and other technical features were provided by each company. Competitive negotiations with two potential vendors continued through the summer of 1989.

In October 1989, PBS signed a contract with AT&T Communications for up to 6 transponders on the Telstar 401 satellite, scheduled to begin service in July of 1993 (recently rescheduled from the original April 1993 in-service date). To provide service to PBS in the interim period between the end of PBS' present service on Westar IV in 1991 and the beginning of service on TELSTAR 401, AT&T will lease four C-band transponders on a GTE SPACENET satellite for use by PBS. The PBS-AT&T agreement will provide public television with nearly 15 years of satellite service and represents about 50 percent of public television's estimated project costs.

To reduce project costs, PBS has borrowed funds so that it could take advantage of prepayment discounts for the interim service, thus realizing a net savings of $400,000.

Efforts are now focused on the ground segment portion of the

replacement system. Last year, PBS initiated its ground segment refurbishment and replacement program with the procurement of new satellite receiver equipment for the television stations. The receivers were selected as the first project procurement because of mounting maintenance costs for the original receivers, now nearly 12 years old. Approximately 115 television receive sites will have been equipped with new receivers by the end of this month; the remaining 50 or so receive sites are expected to be equipped with new receivers by early fall.

In addition, PBS recently selected a vendor to provide replacement C-band uplink antennas for the PBS Satellite Operations Center and for the four regional networks serving the public television system.

PBS is now in the process of preparing Requests for Proposals for all of the major items of the Ku-band ground system, which includes: uplink antennas at PBS and the four regional networks; downlink installations at 180 earth station sites; and hardware and software necessary for implementing a nationwide VSAT network. Project plans were recently refined to take advantage of the rapidly-developing and cost-effective new interactive educational programming -- a demand that Congress has helped to stimulate by funding such projects as the "Star Schools" program. The VSAT technology can be used to provide an interactive distance learning system for use by teachers and students throughout the nation (as well as by libraries, businesses, and other institutions). The VSAT network will also enhance the public television system's ability to deliver other data, including internal communications, or instructional materials associated with programming such as teacher guides and bibliographies.

PBS is also in the process of finalizing design plans for the automated scheduling and control systems that will be necessary to manage, without a significant increase in operations costs, the six or more simultaneous programming transmissions projected to be needed over the next 15 years.

Public radio. NPR issued a request for proposals for the space segment in August of 1988. Responses were received from four vendors.

After initial technical review of the proposals, NPR began negotiations with these vendors during the Spring of 1989. A variety of price, service and back-up combinations was provided by each company. Competitive negotiations continued through the summer and autumn.

NPR signed an agreement with Hughes Communications, Inc., on February 28 for two C-band transponders, which will provide up to 14 years of service to public radio.

At the urging of the Congressional authorizing committees, public radio also has included in its plans for the second generation satellite system a focus on expanding public radio

to serve unserved audiences. One way this has been accomplished is by obtaining sufficient transponder capacity for growth in the number and diversity of programs. In addition, an industry task force has identified a number of existing noncommercial radio stations that are not currently interconnected, which could serve their communities better if they had access to national programming. Matching funds to support downlinks at half of these stations are included in the ground segment cost projections for public radio.

Current cost estimates. For both replacement projects, current cost projections total $201.9 million -- $147.9 million for television and $54 million for radio. These estimates are based on television project costs of: $87.5 million for the space segment, project costs and insurance and $63 million for the ground segment and project administration costs. For public radio, those estimates are: $30.4 million for the transponders, insurance and satellite operating support system, and $23.6 million for the ground segment and project administration costs.

Mr. Early: Why is full funding necessary at this time when you haven't completely defined the new system or accurately determined what the system cost will be?

Mr. Ledwig: Public radio and television established their second generation satellite interconnection planning offices in 1987 and have been refining the systems for three years. Both radio and television have signed contracts for their space segments and have developed cost figures on ground segment hardware. Over the course of the three years of planning, public radio and television have devoted considerable study to the costs of the equipment required for their projects and they are confident that they have made prudent estimates based on the best possible information.

There is simply no question that the full federal authorization will be needed. Since enactment of the authorization, public broadcasting's goal has been to keep its replacement costs within the $200 million authorized. As a result, even with the full $200 million appropriation, public broadcasting faces a considerable challenge in matching satellite replacement resources with needs.

As noted earlier, delaying the full Satellite Interconnection Fund appropriation would be extremely damaging. Because Westar IV, the present satellite used by public broadcasting for interconnection purposes, will end its useful life in 1991, public radio and public television must have their satellite replacement systems in place prior to that time in order to avoid disruption of service to the American people. The project's time sensitivity leaves little margin for delay. Funding certainty is essential not only for responsible project planning but also to minimize project costs.

Given the lead time required to plan, procure, and install the necessary replacement and refurbishment equipment in a

timely and responsible fashion, critical purchasing decisions must be made now. Extending the funding uncertainty by twelve months would mean that public radio and television would have to make final project purchase decisions without any assurance that the money will be there to cover those purchases.

Experience to date has demonstrated that vendor bids are more competitive when the funds are assured and public broadcasting is able to make a firm purchase commitment. If the funding is speculative or subject to delay or rescission, vendors will factor risk into their pricing. Finally, delaying some of the appropriation by a year would require that additional financing costs be incurred, thus putting the replacement projects over budget.

Mr. Early: You mention that PBS has entered into a contract with a satellite vendor for the space segment of the television system. What does the contract entail (cost, etc.)?

Mr. Ledwig: PBS has entered into an agreement with AT&T for the purchase of up to six transponders on Telstar 401 for service commencing in 1993. The mix of Ku- and C-band transponders will be determined by PBS by the end of this year. Interim service (from 1991 until the in-service date of TELSTAR 401) will be provided on four C-band transponders on a GTE Spacenet satellite, essentially replicating public television's present Westar IV service. The agreement provides extensive backup protections in the event of launch delay, or launch or in-orbit failure.

The total price for nearly fifteen years of insured satellite service (together with certain project costs) is approximately $87.5 million. This figure assumes that planned prepayment discounts are utilized. Any delays in the flow of funding would extend borrowing requirements and increase interest costs.

CURRENT STATUS OF SATELLITE CONSTRUCTION

Mr. Early: At what stage of development is the satellite construction at? What is the time frame for construction on the satellite?

Mr. Ledwig: Public Television. AT&T has contracted with General Electric Astrospace Division (GE Astro) for construction of the three TELSTAR 4 series satellites (two are planned for service, and one will serve as a ground spare). GE Astro, in turn, has already entered into contracts with its suppliers of long-lead-time items; negotiations with its other suppliers are in progress.

AT&T and GE Astro have completed preliminary satellite design reviews. The "critical design review" (basically, the finalization of the design) is scheduled for this summer. The launch contractor will be selected at that same time.

AT&T recently informed PBS that the in-service date for TELSTAR 401 has been adjusted by three months -- from April

to July 1993. The schedule change is due to certain design changes now being made to incorporate emerging technologies that provide for higher-power operation and for on-board filters allowing two separate signals to be delivered on the one transponder. These features will enhance the satellite's operational flexibility, its ability to serve the educational community, and its ability to deliver high definition television (HDTV).

Public Radio. The Galaxy IV spacecraft will be constructed by Hughes Aircraft on schedule for it planned launch on March 31, 1993. Service plans built nto the Hughes contract will ensure that there is no interruption in satellite services for public radio. The contract will provide up to 14 years of satellite service.

Mr. Early: Has there been any progress made on the proposal for acquiring the necessary equipment for the ground segments of this system?

Mr. Ledwig: The following list summarizes key accomplishments to date regarding ground segment refurbishments and replacement for public television: new receivers have been procured for all public television stations, replacing the 12-year-old models now in use; a vendor has been selected to provide C-band uplink antennas for PBS and the four regional public television networks; Requests for Proposals are now being prepared for the procurement of the Ku-band ground system; and, plans are under way to increase channel capacity between PBS headquarters and its Satellite Operations Center.

PBS has already installed certain C-band equipment, and will begin installing the Ku-band equipment early next year. Because of the sheer number and variation in installation sites, adherence to this schedule is essential to have the system in place across the nation when it will be needed in 1993.

In radio, with the technical specifications of the space segment firmly in place, work is progressing in earnest on the supporting ground segments. Hardware required for ground segment projects has been identified and preliminary discussions with vendors has begun. Specific Requests For Proposals will be issued beginning in the summer of 1990 and continuing over the next 18 months for all equipment needed to put the replacement in service on schedule in 1993.

Mr. Early: Does the satellite replacement project include HDTV capabilities?

Mr. Ledwig: Although much remains uncertain about the ultimate form of the advanced television technologies now being developed, there is general consensus in the industry that two transponder features are clearly desirable: wide bandwidth and higher power. Accordingly, public television has acquired wideband, higher-power Ku-band transponders as part of its replacement system. Such transponders will give public television maximum flexibility to accommodate future

advances in sound and picture quality or other uses of the television signal. They will also provide flexibility for a variety of other needs, such as dual signal delivery per transponder for certain services. Apart from these basic requirements of sufficient power and bandwidth, the space segment arrangements are not otherwise dependent on a specific transmission standard.

The HDTV requirement of the ground segment, in contrast, are dependent to some extent on industry design and Federal Communications Commission (FCC) decisions that have not yet been made. (The FCC currently plans to select an HDTV transmission standard in mid-1993.) Consequently, items such as modulators and digitizers may be affected by a new transmission standard, but these are not major portions of the ground segment procurement. Within the limits of known and anticipated technology, PBS is designing its ground segment with sufficient flexibility to meet the technical requirements that these future government and industry decisions may impose.

DISTRIBUTION OF PRODUCTION RESOURCES

Mr. Hoyer: How does CPB distribute production resources?

Mr. Ledwig: Currently, CPB distributes its television production resources in several ways: through direct support of six major program series -- FRONTLINE, AMERICAN PLAYHOUSE, THE MACNEIL/LEHRER NEWSHOUR, GREAT PERFORMANCES, WONDERWORKS and THE AMERICAN EXPERIENCE; through an Open Solicitation process where station and independent producers are invited to submit proposals and compete openly for funds available; through direct support of the Independent Television Service; and through other special initiatives that are created from time to time.

Mr. Hoyer: Could you provide an explanation of the process through which independent producers access these funds and the impact that recent changes may have had on CPB or the public stations?

Mr. Ledwig: As stated above, independent producers may access production funds through Open Solicitation, the Independent Television Service (ITVS) grant and/or any special initiatives CPB may, from time to time, initiate. It should also be noted that independent productions comprise a significant amount of the programming that encompasses the major series listed above.

CPB PERCENTAGE OF INDUSTRY INCOME

Mr. Hoyer: What is the proportion of operating revenue that CPB provides to public radio and television stations?

Mr. Ledwig: In Fiscal Year 1988, CPB provided about 14.5 percent of the revenue of public television stations and 20.1 percent of the revenue of public radio stations. CPB data for the stations' Fiscal Year 1989 are not yet complete, but the shares provided by CPB are not expected to be significantly different.

DIFFERENCE IN SATELLITE FUNDING BETWEEN ADMINISTRATION AND CPB

Mr. Hoyer: What accounts for the difference in the CPB and the President's Budget request for the satellite interconnect system?

Mr. Ledwig: The President's Budget asks for $47 million to "conclude the federal contribution" to the satellite replacement project, for a total of $180 million. CPB's request for $66.94 million would complete the funding of the $200 million originally authorized by Congress for the project in FY 1988. The specific components of the President's Budget are not known.

VENDORS FOR SATELLITE REPLACEMENT

Mr. Hoyer: What is the status of the negotiations with potential vendors on the satellite system?

Mr. Ledwig: Procurements are now completed for the space segments, and are underway for major portions of the equipment in the ground segments.

Public television. In October 1989, PBS signed a contract with AT&T Communications for up to 6 transponders on the Telstar 401 satellite, now scheduled to begin service in July 1993. AT&T will lease interim service (between the end of service on the current Westar IV satellite and the beginning of service on Telstar 401) on four C-band transponders on another vendor's satellite and sublet the service to PBS.

Public radio. NPR signed an agreement on behalf of the public radio system with Hughes Communications, Inc., on February 28 for two C-band transponders, which will provide up to 14 years of service to public radio.

Current cost estimates. For both replacement projects, current cost estimates total $201.9 million -- $147.9 million for television and $54 million for radio. These estimates are based on television project costs of: $87.5 million for the space segment, project costs, and insurance, and $60.4 million for the ground segment project administration costs. For public radio, those estimates are currently: $30.4 million for the transponders, insurance and satellite operating support system and $23.6 million for the ground segment and project administration costs.

Mr. Hoyer: How much borrowing, if any, do you anticipate for FY 1990 and 1991 in order to secure contracts for the satellite system?

Mr. Ledwig: Negotiated contract terms with satellite vendors included scheduled payments designed to coincide with anticipated federal appropriations to minimize borrowing costs and maximize vendor prepayment benefits. However, since both vendors required signed agreements prior to the receipt of the first appropriation (October 1990), both PBS and NPR have used commercial borrowing to close their space

segment deals. This borrowing has also allowed the projects to minimize costs by taking advantage of certain prepayment discounts.

Public television has prepared a schedule of projected payments out over the life of the project. The most significant lump sum payments for which PBS is currently obligated arise under the PBS-AT&T agreement, which requires the following payments: upon signing, $1 million downpayment; as of December 31, 1990, 47 percent of the remaining balance due; and, as of December 31, 1991, the balance due (53 percent).

In addition, as noted previously, PBS has financed the prepayment of the interim service. This prepayment resulted in contract savings of $941,000, offset by the financing charges of $539,400, for a net savings to the project of $401,600. The promissory note is due October 26, 1990.

These payments, in combination with the scheduled ground segment payments over the anticipated installation period (January 1991 to April 1993), result in the following schedule:

Current Projected Cash Flows for
Public Television Satellite Replacement Project
(in millions)

Timing	Ground Segment Payments	Space and Other Payments	Cum. Total Payments
Prior to 10/1/90	$ 2.281	$ 9.886	$ 12.167
10/1/90-10/1/91	16.992	26.051	55.210
10/1/91-10/1/92	23.629	37.505	116.344
10/1/92-4/1/93	17.550	14.015	147.909
Total	$ 60.452	$ 87.457	

Public radio's schedule of projected payments over the life of the project is as follows:

Current Projected Cash Flows for
Public Radio Satellite Replacement Project

Timing	Ground Segment Payments	Space & Related Payments	Cum. Total Payments
Prior to 10/1/90	$ 1.48	$ 0.19*	$ 1.66
FY 1991	8.46	5.63	15.75
FY 1992	5.68	16.05	37.48
FY 1993	7.86	8.53	53.87
TOTAL	$23.48	$30.39	

* This figure does not include payments made by public radio in FY 1990, which were financed with a bank loan. The loan will be repaid over several years, so the repayment amounts are listed in the FY 1991-93 time periods.

To date, approximately $15 million dollars has been borrowed to meet respective contractual obligations of public television and public radio that have or will become due prior to the first year's appropriation becoming available. By the end of FY 1992, cumulative payments of both projects are projected to be $153.824 million as compared to total appropriations of $133.060 million. Thus, total borrowing will have swelled to $20.764 million. Additional borrowing will likely be required in the event that less than the full authorized level is appropriated or if there is a delay in appropriating any portion to a subsequent year.

CPB REQUEST WITH RESPECT TO INFLATION

Mr. Hoyer: What fraction of the CPB requested increase for FY 1993 will cover the projected costs of inflation?

Mr. Ledwig: Between ten and $15 million of the $34 million requested would be necessary to simply cover a four to six percent rise in inflation.

FOREIGN PRODUCTIONS

Mr. Hoyer: To what extent has CPB or the independent stations developed linkages with foreign producers or networks to in order to broadcast public information programming, like newscasts to American audiences (Eastern Europe, USSR, Japan)?

Mr. Ledwig: CPB and the Public Broadcasting Service (PBS),

while maintaining relationships with foreign producers, do so for the purposes of selling their material, acquiring certain material from European broadcasters, or entering into coproduction arrangements to aid in the financing of costly series production.

CPB has not financed the production or acquisition of any newscasts from foreign countries for broadcast to the United States. It is my understanding that certain public broadcasting stations have independently entered into arrangements with certain foreign broadcasters to carry their newscasts, such programs can serve as a means of providing audiences with a broad perspective of how other nations treat various news issues.

Mr. Weber: Last month, WCTI Minneapolis-St. Paul carried an English-dubbed broadcast of the Soviet TV nightly news, and I understand it received several favorable comments. Is this typically the kind of programming that is underwritten through this appropriation?

Mr. Ledwig: No. CPB has not used its federal appropriation to directly support such broadcasts. The series, entitled VREMYA, was produced by WGBH in Boston. KTCA in Minneapolis broadcast it at the local station level.

Mr. Weber: I understand that this Soviet TV in English program was a trial run on PBS stations such as WCTI in my state. Do you have any plans to keep it on the air on a permanent basis?

Mr. Ledwig: CPB is prohibited by law from producing or distributing programs. Any plans to keep such programs on the air would have to be made individually by the local stations.

Mr. Weber: Does the Corporation plan to underwrite these kinds of foreign broadcasts from the Soviet Union, Japan, or other countries? Is this something that would be a priority for your funding?

Mr. Ledwig: There are no plans to do so at this time.

STUDENT AUDIENCES

Mr. Weber: How much of your broadcasting is targeted at student audiences -- high school and college-age viewers, who use it in conjunction with their studies? Is the Soviet TV news program which was aired last month a significantly valuable resource for our American students? Would regular viewing contribute to their learning of current affairs, government, economics or general social studies?

Mr. Ledwig: Records on programming broadcast and used by students in grades K-12 do not break out high school students only. The most recent (1988) PBS-collected data shows that 72% of all public television licensees broadcast instructional television (ITV) programming designed to be used in classrooms. They broadcast between 4-7 hours of

instructional programming per day and many feed additional programs for recording and delayed use, particularly in secondary school classes. Of 78,700 public school buildings, ITV reached more than 64,000 - about 28,000 were secondary schools. This means that two-thirds of all elementary-secondary students, 29.5 million pupils, were enrolled in schools that receive ITV. The programming is obtained, nationally, from the National Instructional Satellite Schedule (NISS), uplinked by the Southern Educational Communications Association. In 1989-90, NISS provided 1,520 programs, 700 for high school use, for a total of 1,185 hours fed. Local stations supplement this feed with local and state offerings and an additional ten hours of underwritten programming provided by PBS Elementary/ Secondary service.

College students are served by the PBS Adult Learning Service (ALS), which, in Fall 1990, offered 46 courses for a total of 521 hours. Almost half of these courses (21) were funded by the Annenberg/CPB Project (A/CPB), which, in addition to broadcast, markets video cassettes extensively to colleges. Since the beginning of the ALS and A/CPB in 1981, well over one million students have enrolled in ALS broadcast courses. The A/CPB Project, alone, has provided funding for more than 35 video and audio courses which are used by more than 2000 of the 3000 colleges and universities nationwide. In 1988, 1.5 million students enrolled in classes which used A/CPB Project course materials for part of their instruction. In addition, A/CPB programs are watched by the general viewing public on PBS or cable channels at the rate of nearly 7,500,000 viewers per week.

The Soviet TV news program, VREMYA, aired experimentally for two weeks by 88 public television stations, was not fed by PBS but by the sponsoring station, WGBH-TV in Boston. The program was fed at 3:00 PM, EST, but stations scheduled it to meet local needs. After the first two weeks, rights were renegotiated and the series was fed for another two weeks, but carriage data is not available. However, during the four week period, WGBH-TV received over 3000 letters commenting on the writer's interest in the newscasts. Many were from those studying or teaching Russian language or politics. Past experience with occasional broadcasts of foreign newscasts leads us to believe that these are the classes where such programs are most useful, rather than in general social studies courses.

At the present time, interest in the series is still high. WGBH-TV is investigating whether it is feasible to acquire and offer the series again to interested stations.

RURAL EDUCATION

Mr. Weber: Is the Corporation making any cooperative efforts with rural schools to make educational programming available to schools which might otherwise not be able to offer a wide variety of courses? Please give examples.

Mr. Ledwig: Of the four "Star Schools" projects, partially

funded by the U.S. Office of Education, CPB has participated in the funding of the Satellite Educational Resources Consortium (SERC). A start-up planning grant was provided by CPB and operational funding came from CPB in 1989 and 1990. SERC is composed of partnerships of state broadcasting authorities and educational agencies. In its pilot test, there were 19 state members and four individual city associate members. In the first semester, with intentionally limited enrollment, courses were offered for students in Introduction to Japanese, Probability and Statistics, and Science Seminars. Teachers could enroll in Advanced Placement Calculus for Teachers and a variety of in-service workshops. In 1989-90, its first full demonstration year, additional courses are offered, including Probability and Discrete Math, Introductory Russian, Advanced Placement Economics, and Teaching of Algebra for teachers. These programs compose 1,920 hours of direct instruction to 382 participating high schools in 22 states. In 1990-91, it is anticipated that SERC will provide at least 3,600 hours to about 500 high schools.

In the formal evaluation at the end of the pilot semester, building principals and coordinators felt that the instruction was excellent and student interest in the courses high. Students liked the opportunity to take a course which would not ordinarily have been offered in their schools and enjoyed the course in which they were enrolled. Eighty percent would take another video course, if offered.

JUSTIFICATION OF THE BUDGET ESTIMATES

CORPORATION FOR PUBLIC BROADCASTING

FY 1993 Appropriations Estimates

TABLE OF CONTENTS

CPB'S FY 1993 REQUEST

- CPB's Request 1
- Current Law Governing CPB's Appropriations 2
- CPB's Request Compared to the President's Recommendations 3

- Highlights of CPB's FY 1993 Proposal 4

  Justification For CPB's FY 1993 Request
  - Reasons for Advance Funding 7
  - Need for General Support for Public Broadcasting 8
  - How Federal Support Would Be Allocated 9
  - Where FY 1993 General System Support Would Go 11
- Need for Federal Assistance to Replace the Satellite Interconnection System 17

PRESIDENT'S PROPOSAL FOR FY 1993

- Proposed Appropriations Language 23
- President's Proposal 24

SUPPORTING APPENDICES

- Requested Change in Appropriations Summary Table 33
- History of CPB Appropriations 34
- Projected Nonfederal Income and Estimate of Federal Matching Funds 35
- Currently Eligible Public Radio and Television Stations 36

Summary of CPB's Request for Appropriations for FY 1993

The Corporation for Public Broadcasting (CPB) requests that Congress appropriate $285,000,000 to the **Public Broadcasting Fund** in FY 1993 for general programming and system support and $66,940,000 to the Public Broadcasting **Satellite Interconnection Fund** to be used specifically to help replace the existing public broadcasting satellite interconnection system that will go out of service in 1991.

Summary of Requested Changes

	CPB's FY 1992 Appropriation	CPB's FY 1993 Request	Requested Change
Public Broadcasting Fund	$251,030,000	$285,000,000	+$33,970,000
Satellite Interconnection Fund[*]	76,250,000	66,940,000	-9,310,000

[*] Congress authorized the appropriation of $200 million for replacement of public broadcasting's satellite interconnection system in the Public Telecommunications Act of 1988 [Public Law 100-626]. It has appropriated $56,810,000 for this project for FY 1991 and $76,250,000 for FY 1992. $66,940,000 remains authorized and not appropriated.

Current Laws Governing CPB's Appropriations

AUTHORIZATIONS

	FY 1991	FY 1992	FY 1993
Public Broadcasting Fund			
Enacted	$245,000,000	$265,000,000	$285,000,000
Satellite Interconnection Fund			
Enacted	$200,000,000 [*]	$143,190,000	$66,940,000
Less Appropriated Funds	-56,810,000	-76,250,000	-tbd-
Remaining Authorizations	$143,190,000	$66,940,000	-tbd-

APPROPRIATIONS

	FY 1991	FY 1992	FY 1993
Public Broadcasting Fund			
Enacted	$242,060,000	$251,030,000	-tbd-
Satellite Interconnection Fund			
Enacted	56,810,000	76,250,000	-tbd-

[*] Public Law 100-626, The Public Telecommunications Act of 1988 authorized $200 million to help replace the public broadcasting satellite interconnection system during the period from FY 1991-1993. Any portion of these funds not appropriated is carried forward as the authorization level for the succeeding fiscal year.

CPB's Request Compared to The President's Recommendations

CPB's request differs from that proposed by President Bush in his FY 1991 Budget which was submitted to Congress in January, 1990. The following table compares CPB's FY 1993 request to the President's proposal for FY 1993. [1]

CPB's FY 1993 Request
Compared to
The President's Recommendation

	CPB's FY 1993 Request	President's FY 1993 Recommendation	Difference
Public Broadcasting Fund	$285,000,000	$259,565,000	-$25,435,000
Satellite Interconnection Fund	66,940,000	46,940,000	-20,000,000

[1] In his 1991 Federal Budget, the President submitted a request to Congress for the Public Broadcasting Fund and the Satellite Interconnection Fund for FY 1993, two years from the current budget year. [This procedure is consistent with the practice of "advance funding" for CPB which has been adopted by Congress and the President.]

Highlights of CPB's FY 1993 Request

CPB is requesting that Congress appropriate $285 million for general support of American public broadcasting in FY 1993, the level authorized by current law (the Public Broadcasting Act of 1967, as amended). In addition, CPB is requesting that Congress appropriate $66,940,000 authorized for the Satellite Interconnection Fund. In 1988, Congress authorized $200 million to help public broadcasting stations replace the existing, aging satellite interconnection system. Subsequently, Congress appropriated $56,810,000 under that authorization for FY 1991 and $76,250,000 for FY 1992. **CPB is requesting that the remaining funds authorized for satellite replacement be appropriated for FY 1993.**

CPB's FY 1993 request reflects the consensus for sustained federal support for public broadcasting reached by Congress in 1988 when it set annual authorization levels that would allow for limited growth in federal support for CPB from FY 1991 to FY 1993. At that time, Congress also authorized satellite system replacement funds to assure that public broadcasting stations are interconnected nationally. This satellite-based interconnection system helps to assure that all communities can potentially benefit from programs and activities supported by CPB with federal funds at the national level.

CPB would use the requested appropriations to continue to fulfill its mandate from Congress to encourage the growth and development of public radio and television broadcasting in localities throughout the United States. If requested funds are appropriated, CPB would:

- help public broadcasting rebuild and renovate **the station interconnection system** that will go out of service next year;
- **help support** the operations of **nearly 200 television licensees representing over 300 television stations and the operations**

of over 300 radio stations located in all fifty states, the U.S.Virgin Islands, Puerto Rico, American Samoa, and Guam, [See page 36, Appendices for a current list of CPB Supported public broadcasting stations];

- **expand public radio service** to ensure that high-quality public radio, responsive to the needs of diverse audiences, is available to as much of the nation as possible;

- **expand** public radio and television's ability **to develop and distribute high quality, American programs** that address the educational and social concerns and the cultural interests of communities throughout the nation;

- **help make more diverse, innovative programming, from a variety of production sources, available** to public broadcasting audiences; and

- **reinforce public broadcasting's role as a cost-effective educational resource** that can be used by both children and adults and that reflects the needs of local communities as well as the nation.

With critical and sustained federal support since 1967, nonprofit public radio and television stations have become vital local community institutions in towns and cities throughout the United States. They are key participants in their communities and have repeatedly demonstrated their value to these communities and to the nation as a whole. Today, approximately 82 cents of every dollar of operating revenues at these stations comes from non-federal sources [In 1988, an average of 16 cents came from CPB and 2 cents came from other federal grants and contracts]. During the past 20 years, with federal support at the national level through CPB, the American public radio and television system has become a national resource with strong local roots, and it has become a resource that daily affects the lives of many Americans.

In 1988, when CPB presented its case to Congress for additional federal support for public broadcasting for FY 1991, 1992, and 1993, the Corporation emphasized that the nation's investment in public broadcasting had paid the country real dividends on that investment but that an opportunity to build upon that investment would be missed without a greater commitment from the federal government. That request was eventually scaled back by Congress, in recognition of the limited resources then available even for activities where the benefits have so clearly exceeded their costs.

This request acknowledges the limits set by Congress in 1988 on federal support in 1993, and CPB is asking only that those limits be reached through the appropriation of all authorized funds. Public radio and television stations throughout the country strive

daily, and with great success, to invest their available resources in programming that educates and informs audiences and that builds awareness of the world around us. A great deal of the entire system is directed toward helping solving problems in our local communities and throughout the nation with the help of substantive, publicly-supported radio and television programming. Our ability to invest in the future of those audiences is directly related to the willingness of all public broadcasting funders, including the federal government, to support that investment over time.

Consequently, CPB is requesting that Congress appropriate the full amounts authorized for FY 1993. If Congress appropriates $285 million for general system support and $66,940,000 for the interconnection system replacement project, it would allow CPB to sustain the federal investment in a valuable national asset built around local radio and television stations.

Justification for CPB's FY 1993 Budget Request

CPB is requesting that Congress appropriate $285 million to help support the general operations of public radio and public television for FY 1993. This amount is specifically authorized by The Public Telecommunications Act of 1988. In addition, CPB is asking Congress to appropriate the balance of all funds authorized ($66,940,000) to the Public Broadcasting Satellite Interconnection Fund to help public radio and public television complete the rebuilding and refurbishment of their satellite interconnection facilities.

REASONS FOR ADVANCE FUNDING

Congress has statutorily adopted the practice of appropriating funds to the Corporation for Public Broadcasting two years in advance of the year funds are actually released to CPB (e.g., in FY 1991 Congress considers CPB's appropriation for FY 1993). This early commitment of federal support to public broadcasting is crucial to the financial welfare of the system and provides stations and producers with the financial foundation they need to assemble the ideas, talent, and additional nonfederal funding necessary to produce quality radio and television programming on budgets far below that required for most commercial programming. Through this process, American public broadcasting annually delivers programs that set industry standards for excellence in areas such as children's and educational programming, news, public affairs documentaries, and social outreach programs.

The annual delivery of high quality, socially relevant programming directly fulfills public broadcasting's congressional mandate to deliver, to those who watch or listen, programs that educate and inform audiences about the world around them. In turn, quality programming attracts additional audiences to the system. Many of these viewers and listeners voluntarily contribute to their local stations, and thus, make all public broadcasting services available at a lower cost.

In 1988, the year for which the most recent data are available, 82¢ of every $1.00 in total system revenue came from nonfederal contributions. These nonfederal revenues are critical to the daily operations of the public broadcasting system and are drawn into the system, in part, by the leveraging effect of federal advance funding.

Advance funding also helps separate federal support for the public broadcasting system from individual program funding decisions, thereby allowing CPB to act as a buffer between those who select programs and those who might attempt to influence those program decisions. This "heat shield" effect, further insulates individual programs from the sources of funds used to underwrite their production.

Consequently, and consistent with this statutory practice of advance funding, CPB has developed this FY 1993 appropriations request consistent with the levels of support now authorized by Congress and with an assessment of the financial needs of public broadcasting.

NEED FOR GENERAL SUPPORT FOR PUBLIC BROADCASTING

CPB is asking Congress to appropriate $285 million to the Public Broadcasting Fund for the general support of public broadcasting in FY 1993. These funds would be used to continue existing public broadcasting services through FY 1993, to support the development of new programming and to undertake other responsibilities placed on CPB by recent legislation. A large portion of the increase in funds would simply help recover the increase in general costs due to inflation between FY 1992 and FY 1993.

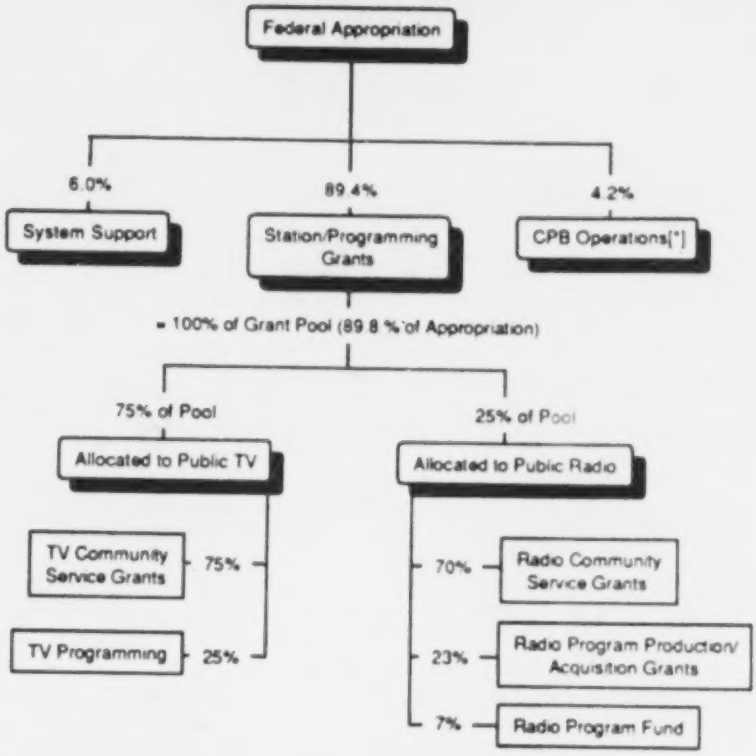
Appropriations to CPB provide approximately 14.3 percent of the operating revenues of public television and 19.7 percent of the operating revenues of public radio in the United States (1988 data). In exchange for this federal contribution to total revenues, American citizens enjoy the free use of thousands of hours of radio and television programming that educates and enlightens children and adults alike. In addition, they benefit from nearly 700 locally-focused public radio and television stations throughout the country. (See Appendix for CPB-supported stations listed by state.)

CPB's request for $285 million in general programming support **amounts to** less than $1.10 a year for each citizen of the United States, **less than 37 cents a month for a family of four, far less than the cost of minimum cable service where such service is available.** The benefits that accrue from this modest federal investment far exceed the amount invested by any measure. Public broadcasting is one of the most diverse and inexpensive methods available today for informing viewers and listeners of local, regional and national events and issues that affect their lives. It mirrors the needs and concerns of local communities throughout the country because stations receive their guidance from the communities from which they also receive the bulk of their financial support. The local public television or radio station is one source of information over which citizens, at the community level, have ultimate control. In fact, CPB grant eligibility rules require local support to be in place before a station can receive any federal funds. These local efforts determine the viability of each station and now provide more than 4 of every 5 operating dollars for the average station.

HOW FEDERAL SUPPORT WOULD BE ALLOCATED

CPB is required by law to distribute funds appropriated to the corporation [under 47 U.S.C. 396 (k) (3) (A) (i)] according to a formula established by Congress as part of our enabling legislation. That formula specifies the distribution of federal funds among radio and television activities, activities that jointly benefit the public broadcasting system, and the direct costs of operating CPB. The following chart describes the allocation formula in effect for FY 1993.

Statutory Allocation of Appropriated Funds (FY 1993)



[*] Congress has set a cap on CPB's direct expenses at a fixed dollar level. It is derived from an FY 1990 spending limit of $10.6 million, adjusted for inflation. In FY 1991 such spending will be limited to $11.9 million or 4.2% of that year's requested appropriation.

Based on this allocation formula, CPB's FY 1993 federal appropriation must be distributed as follows:

Required Distribution of
FY 1993 CPB Appropriations
For General System Support
($ in millions, rounded)

	Enacted FY 1992 Appropriation	Requested FY 1993 Appropriation	Change
GENERAL SYSTEM SUPPORT			
Programming Support			
Television:			
- Community Service Grants	$126.3	$144.0	+$17.7
- Program Production	42.1	48.0	+5.9
	$168.4	$192.0	+$23.6
Radio:			
- Community Service Grants	$39.3	$44.8	+$5.5
- Program Production	16.8	19.2	+2.4
	$56.1	$64.0	+$7.9
Other System Support	$15.1	$17.1	+$2.0
Corporate Operations (*)	11.5	11.9	+0.4
	$26.6	$29.0	+$2.4
Total	$251.0	$285.0	+$34.0

(*) Capped by Public Law 100-626

WHERE FY 1993
GENERAL SYSTEM SUPPORT WOULD GO

With $285 million appropriated for general system support, CPB would be able to:

1. maintain its role as a key supporter of local public television and radio,
2. continue to implement a significant expansion of public radio services to unserved and under-served communities,
3. continue as a significant funder of major national programming efforts, and
4. sustain support for major minority and independent producer programming initiatives, established by Congress during FY 1988.

For over two decades, federal support to public radio and television has returned real dividends to American taxpayers far in excess of the value of funds appropriated. Those federal appropriations to CPB combined with other, nonfederal contributions, bring high quality, educational and socially responsible programming into the homes of millions of Americans, with and without access to cable and regardless of the ability of the viewer or listener to pay for the service. With federal help, public radio and television service is available to the vast majority of all taxpayers at no additional cost, unless they voluntarily choose to contribute to their local stations. [CPB and public radio and television are working hard to expand service to that portion of the country not now served by a public radio or television station.]

While all stations welcome and need support from their viewers, public broadcasting programs are available to all regardless of their income or ability to pay: those who can contribute and do, those who can contribute but choose not to, and those who simply cannot afford to contribute at all. At a time when basic cable service costs more than telephone service in many communities and the cost of that service is rising faster than inflation, and at a time when vast portions of the country remain without hope of receiving cable service, public broadcasting makes available intelligent, high quality, thoughtful programming to most American citizens with a television or radio in their home for pennies a week.

CPB is asking Congress for sufficient federal support in FY 1993 to help CPB capitalize on its role as a catalyst for growth and improvement within American public broadcasting. CPB would use these federal funds to leverage additional nonfederal contributions. In combination,such added revenue would be used to bring new programming to public television and radio. That growth would allow local communities to use their local public station to better educate and inform their citizens about our culture, critical social issues, and events of our time.

Distribution of Funds To Be Allocated To Public Television

In FY 1993, CPB is required by law to allocate 67.4% percent of appropriated funds to the direct support of public television. These funds must be divided between Community Service Grants made to individual stations (75 percent of the funds allocated to television) and funds used to directly support the production of programming (25 percent of the funds allocated to television). CPB's FY 1993 request would result in the following changes in these allocations compared to FY 1992:

Change in Allocations to Public Television: FY 1992-1993

	Enacted FY 1992 Appropriation	CPB's FY 1993 Request	Change
Direct Public Television Support			
Community Service Grants	$126,278,205	$143,981,687	+ $17,703,482
Program Production	42,092,735	47,993,896	+5,901,161
Total	$168,370,940	$191,975,583	+$23,604,643

PUBLIC TELEVISION COMMUNITY SERVICE GRANTS

Additional funds allocated to Television Community Service Grants (CSGs, $17.7 million) would be distributed to all eligible public television licensees, according to procedures developed by CPB, consistent with our legislation and after annual consultation with the licensees. CSG funds are distributed according to a matching formula to all eligible public television stations. They are intended to be used by those stations, at their discretion, primarily for programming purposes. At present, there are 194 public television licensees eligible for CSGs, representing over 300 individual stations. CPB maintains an audit program to assure that all federal funds are spent consistent with generally accepted accounting principles and with CPB established guidelines.

PUBLIC TELEVISION PROGRAMMING FUNDS

Funds, allocated by law to television programming, would be used by CPB to support and expand national public television programming projects that benefit all eligible public television stations in every state and to develop new programs that respond to the changing needs of television audiences. Programming selected for support by

CPB will reflect programming priorities established by a national assessment of programming needs conducted in cooperation with the entire public broadcasting system.

Distribution of Funds Allocated To Public Radio

CPB is required by law to allocate 22.5 percent of all funds appropriated by Congress to directly support public radio in 1993. These funds are divided between Community Service Grants made to individual stations (70 percent of the funds allocated to public radio) and funds used to support the production of programming (30 percent of the funds allocated to public radio). CPB's FY 1993 request would result in the following changes to these allocations compared to FY 1992:

Change in Allocations to Public Radio: FY 1992-1993

	Enacted FY 1992 Appropriation	CPB's FY 1993 Request	Change
Direct Public Radio Support			
Community Service Grants	$39,286,553	$44,794,302	+ $5,507,750
Program Production			
Program Grants	12,908,439	14,718,128	+1,809,689
CPB Radio Program Fund	3,928,655	4,479,430	+550,775
Total	$56,123,647	$63,991,860	+7,868,214

PUBLIC RADIO COMMUNITY SERVICE GRANTS

Funds specifically allocated to public radio Community Service Grants would add approximately $5.5 million to CPB's support of local public radio stations. At present there are over 300 eligible public radio stations. Efforts are underway at CPB to expand the levels of support available to smaller public radio stations in the hope that service can be extended to audiences and geographical areas not now served by a CPB assisted station. It is hoped that this effort will bring additional service to unserved and under-served areas by 1993 and that it will result in emergence of many full service public radio stations. Every effort is being made to assure that this growth is consistent with maintaining the strength of existing public radio stations.

The number of stations receiving assistance from CPB is expected to grow faster than the growth of available funds. At current authorization levels, stations already receiving CPB support must have growth in their own grants reduced to allow for system

expansion. Additional federal support would be needed in FY 1994 and beyond to allow for growth and to help mitigate the cumulative effects of inflation on station operating budgets.

PUBLIC RADIO PROGRAMMING FUNDS

Funds specifically allocated to programming would increase by $2.4 million to $19.2 million and would be split between National Program Production and Acquisition Grants ($13,343,366) and the CPB radio program fund ($4,061,024) according to a distribution formula set by law in 1988.

Individual stations may apply their NPPAG funds to national programming of their choice, while CPB specifically targets resources allocated to its radio program fund toward programming that takes programmatic risks. The goal of CPB's fund is to create new series or program strands that might not otherwise succeed initially in the public broadcasting marketplace without CPB's support.

These programming goals are consistent with the direction Congress has given CPB for application of funds allocated to radio. Combined with the new satellite system, these projects would help bring diverse public radio programming to all areas of the country where such service is technically possible and to diverse audiences in markets already serviced by a public radio outlet.

Distribution of Funds Allocated to System Support And Corporate Expenses

CPB is required by law to allocate 6 percent of all funds appropriated by Congress to activities that generally support the public broadcasting system. These funds may be used by the corporation to support interconnection costs, the payment of programming royalties and other fees, for grants to stations that broadcast programs in languages other than English and for projects and activities that are expected to enhance public broadcasting.

In addition, CPB is authorized by law to set aside for its own operations a specific amount of all appropriated funds. That amount was fixed in law for FY 1990 as $10,608,000 and can grow annually by either 4 percent or the change in the Consumer Price Index whichever is greater.

CPB's FY 1993 request would result in the following changes to these allocations compared to FY 1992:

Change in Allocations to System Support And Corporate Expenses: FY 1992-1993

	Enacted FY 1992 Appropriation	CPB's FY 1993 Request	Change
System Support 6 percent funds	$15,061,800	$17,100,000	+ $2,038,200
Corporate Expenses Set by law not less than	11,474,000	11,933,000	+459,000

SYSTEM SUPPORT FUNDS [6 PERCENT FUNDS]

CPB uses funds in this limited pool to underwrite projects and activities that benefit from coordinated planning and implementation at the national level or where economies of scale are available. These funds are used to partially support the operations of the Television Satellite Interconnection facilities at PBS, to underwrite the costs of music royalties for both television and radio stations in the system, and other activities that provide generic benefits to broad sectors of the public radio and television systems. In FY 1990 CPB initiated a System Development Fund that has been designed to aggregate a significant portion of these funds and to target those funds to the most needed areas of public broadcasting. Funds requested in FY 1993 would allow CPB to expand programs such as this and direct more funds into training programs and similar activities.

CPB OPERATING EXPENSES

Under limitations placed in law as part of the Public Telecommunications Act of 1988, CPB can set aside approximately $11.9 million for operating expenses in FY 1993. This level of expense would require 4.19 percent of CPB's requested appropriation in FY 1993. All internal operating expenses of the corporation must be paid for from these funds, including the costs of required program panels and the operations of the Office of the Inspector General as required by law, and other general operating expenses.

SUMMARY

CPB is asking Congress for a $34 million increase in general system support for public broadcasting for FY 1993, an increase that would allow CPB to support limited growth in the system while adjusting existing grants for the effects of rising costs due to inflation.

In addition, CPB would use these federal funds to help public broadcasting meet its mission more effectively by focusing more of its resources on pressing social issues facing the American public. The level of federal support requested by CPB for FY 1993 would help make local public broadcasting stations an essential part of the problem-solving infrastructure of their communities.

The Need for Federal Assistance To Replace the Satellite Interconnection System

CPB is asking Congress to appropriate $66,940,000 in FY 1993 to allow public television and radio to complete the rebuilding of their interconnection systems. An appropriation of $66.9 million would complete the appropriation of the $200 million authorized by Congress in 1988.

Funds Requested
For Satellite Replacement

	Enacted FY 1991 Appropriation	Enacted FY 1992 Appropriation	Requested FY 1993 Appropriation
Satellite Replacement	$56,810,000	$76,250,000	**+$66,940,000**

THE CURRENT SYSTEM

Public radio and television stations throughout the country are connected by a satellite-based interconnection and program distribution system that was purchased and constructed with funds from the Corporation in the late 1970's. Appropriated funds, provided by CPB, paid for nearly 85 percent of the cost of creating that system, and it has now been in place more than 13 years. Without that direct support from CPB, the debt and interest costs required to build such a system would have crippled the budgets of many stations in the late 1970's. CPB's ability to pay directly for a significant portion of the costs of that first system was a key factor in maintaining the fiscal health of public broadcasting in the early 1980's when federal support for public radio and television was continually at risk.

For the last 13 years this satellite-based interconnection system has provided public

broadcasting with a low cost, dependable means of delivering programming to stations throughout the country. That system is nearing the end of its useful technical life and the satellite, around which the system is based, will run out of maneuvering ability in FY 1991. Much of the ground equipment supporting this interconnection system is also technically out of date and beyond the point where it can be repaired.

THE NEED FOR ASSISTANCE

Replacement of the public radio and television satellite interconnection systems is essential if public broadcasting is to be able to continue to provide quality public affairs, educational and cultural programming for the American people. The interconnection systems are the program pipelines connecting major national producing and distributing organizations and independent producers with public broadcasting stations and their audiences throughout the United States. Technologically current, satellite-based, interconnection facilities are needed to provide station viewers and listeners with a high quality public broadcast service at the lowest possible cost. The new interconnection systems are an essential ingredient in public broadcasting's plans to increase its program offerings and related services, develop and deliver more specialized programming for non-commercial audiences, and expand service to unserved and under-served audiences.

In addition, public broadcasting is pledged to increasing and enhancing the programming and related services provided to the education community. Planning for public television's next generation satellite system includes plans to utilize advancements in telecommunications technology to assist in meeting that objective.

Since 1968, and at the direction of Congress, CPB has successfully expanded American public broadcasting by assisting in the development and operation of a low cost system for distributing or exchanging programming. Direct federal support for the Satellite Replacement Project is the most cost-effective way to assure that a public broadcasting interconnection system will remain in place for the benefit of all Americans for the lowest possible total cost.

THE SATELLITE REPLACEMENT PROJECT: JANUARY 1990 STATUS

On October 2, 1989, CPB transmitted to Congress a report entitled Report to Congress: Next Generation Public Radio and Television Satellite Interconnection Systems. That report was produced by the Public Broadcasting Service (PBS) and National Public Radio (NPR), as the designated public broadcasting entities responsible for developing the new systems, on behalf of their respective public television and radio licensees. The Report:

- o describes the satellite replacement needs of public television and radio,
- o analyzes the differences in costs between leasing satellite transponder capacity and buying outright the same capacity, and
- o evaluates the availability of private sector, rather than federal financing.

That report comprehensively addresses these issues and presents public broadcasting's justification for the full appropriation of the $200 million authorized. Since that report was delivered in October, PBS has entered into a contract with a satellite vendor for the space segment of the television system and is now developing proposals for acquiring the necessary equipment for the ground segments of their system. NPR is in the final stages of a similar process. Few technical areas today encompass more uncertainty than the area of telecommunications technology. Planning and estimating replacement costs for a new interconnection system is especially difficult. However, progress has been made toward defining the new systems and toward increasing the accuracy of system cost estimates.

EXTENDED SYSTEM LIFE

CPB, on behalf of the public broadcasting system, originally asked Congress to appropriate up to $200 million for a replacement interconnection system that would have a ten-year useful life and provide service from 1991 to the year 2001. The new system already negotiated by PBS and the one under consideration by NPR are both expected to serve public broadcasting from 1991 through approximately 2005, adding four years service to the original proposal without exceeding original cost estimates.

The added four years derives from two factors. First, several satellite vendors are planning to launch new satellites which have predicted lives of 12 years. Purchase of transponders on these satellites by public radio and television will allow public broadcasting to utilize the full lifespans of the new transponders, rather than the 10 years generally available under long-term non-purchase options common in the industry. Second, the new generation satellites will not be launched until 1993, so the twelve year life will take then to the year 2005. Service for the 1991 to 1993 period is included in the total service package from the vendors.

Consequently, The Satellite Replacement Project will result in a service and hardware configuration that will provide 14 years of service, 40

percent more than the 10 years projected when public broadcasting originally came to Congress for support for the project, at no additional cost.

Although total cost estimates for some segments of the system are in place until those arrangements are finalized and contracts actually executed the precise costs cannot be determined. However, every expectation is that total costs will not vary significantly from the estimates provided Congress last fall in the project's semi-annual report.

Present plans call for replacing existing transponder service, expanding backup capacity and refurbishing, replacing or constructing ground segments as required to assure the most comprehensive coverage possible for both public television and public radio. Congress, has authorized the appropriation of $200 million over the period from FY 1991 to FY 1993 to help support that effort. Language in Public Law 100-626, the Public Telecommunications Act of 1988, requires CPB to pass all appropriated funds for the project (and any interest earned thereon) to the licensees or their designated representatives. Accordingly and consistent with the intent of Congress, CPB has taken on an oversight role in the planning and implementation process to ensure that the development and installation of the proposed system is fiscally sound and prudent. All technological and logistical aspects of the replacement projects are the responsibility of the respective system representatives.

CPB'S FY 1993 REQUEST

CPB first requested federal support to help public broadcasting replace this essential distribution system in 1988. Congress then authorized a total of $200 million for the project. At the present time, the estimated total cost of this hardware overhaul and replacement project still exceeds $200 million. The new system, which must replace the existing system in 1991, when satellite transponders in the current system cease operating, is expected to allow public broadcasting to maintain a competitive broadcast distribution system to the year 2005.

SUMMARY

The successful replacement of the satellite interconnection system with a system that keeps public broadcasting technically comparable to other broadcast media in the 1990's is absolutely essential to the future of public broadcasting. Appropriation of authorized federal support for this major capital expense is equally essential to keeping long- and short-term costs at each station as low as possible, thereby assuring a distribution system that is affordable to all stations and other users.

At the present time, the Public Broadcasting Service has selected a transponder vendor for the space segment of the new system and will be bidding various components of the ground segments this spring and early summer. Public radio is moving ahead on a

comparable schedule.

CPB strongly believes that this project warrants the continued direct assistance of Congress and urges that the full amount of funds now authorized be appropriated. Low-cost delivery of public broadcasting's programming is the most cost-effective way to ensure that all citizens have access to the educational, cultural, and informational programming produced, with the help of federal funds, for public broadcasting audiences. Federal support for this critical project will also ensure that small market and rural stations who have limited audience bases from which to draw contributions will be able to remain active participants in the new satellite system.

Appropriations Language Proposed by the President for the Corporation for Public Broadcasting for FY 1993

"PUBLIC BROADCASTING FUND"

For payment to the Corporation for Public Broadcasting, as authorized by the Communications Act of 1934, an amount which shall be available within limitations specified by the Act, for the fiscal year [1992, $327,280,000] **1993, *$306,505,000*** of which [$76,250,000] ***$46,940,000*** shall be available for section 396(k)(10) of said Act ***Provided,*** That no funds made available to the Corporation for Public Broadcasting by this Act shall be used to pay for receptions, parties, or similar forms of entertainment for Government officials or employees: ***Provided further,*** That none of the funds contained in this paragraph shall be available or used to aid or support any program or activity from which any person is excluded, or is denied benefits, or is discriminated against, on the basis of race, color, national origin, religion, or sex. ***(Departments of Labor, Health and Human Services, and Education, and Related Agencies Appropriations Act, 1990.)***

[ ] = proposed deleted language
Bold = proposed new language

President's Proposal for FY 1993

The President has proposed that Congress make only $259,565,000 available to public broadcasting in Fiscal Year 1993 for general system support and make $46,940,000 available as a final federal contribution to the Public Broadcasting Satellite Interconnection Fund. While the administration acknowledges that public broadcasting plays a vital role in the educational and cultural development of our nation, it contends that proposed funding levels will allow CPB to maintain and improve public service programming and to meet the needs of American public telecommunications. The President is proposing to limit the total federal appropriation for satellite replacement to $180 million, $20 million below the level authorized and requested by CPB.

Comparison of CPB's
FY 1993 Request
And The President's
Proposals

	CPB's FY 1993 Request	President's Proposed Appropriation	Difference
Appropriation	$285,000,000	$259,565,000	-$25,435,000
Satellite Replacement	66,940,000	46,940,000	-20,000,000

Impact of the President's Proposal on Allocations Required by Law

Because CPB distributes federal funds according to an allocation formula established by Congress, the President's proposal would result in the following reductions in available funds by activity as compared to the funding levels requested by CPB for FY 1993:

Comparison of FY 1993 Proposals
by Spending Categories
Set by Law
($ in millions, rounded)

	CPB's Proposed FY 1993 Budget	President's Proposed FY 1993 Budget	Difference
Television:			
Community Service Grants	$144.0	$130.5	-$13.5
Program Production	48.0	43.5	-4.5
	$192.0	$174.0	-$18.0
Radio:			
Community Service Grants	$44.8	$40.6	-$4.2
Program Production	19.2	17.4	-1.8
	$64.0	$58.0	-$6.0
System Support:			
Other System Support	$17.1	$15.6	-$1.5
Corporate Operations	11.9	11.9	0
	$29.0	$27.5	-$1.5
Total	$285.0	$259.6	-$25.4
Satellite Interconnection System	$66.9	$46.9	-$20.0

CPB's Position On The President's Proposal For General Support

The President's proposal would reduce CPB's requested FY 1993 funding level for general system support from $285,000,000 to $259,565,000 in FY 1993, a decrease of over $25 million, or nearly 9 percent. In addition, the administration's proposal would provide only a nominal 3.3 percent increase in federal funding over the $251 million already appropriated for FY 1992 and thus would not provide the growth needed to "maintain and improve" public broadcasting. Nor would this level of support come close to "meeting the needs of American public telecommunications" as the President's Budget states.

When the Public Broadcasting Act of 1967 was first passed, it was expected that federal support for public radio and television in the United States would eventually approach 33 percent of total operating revenues. This level of support has never been approached. In fact, CPB appropriations have provided less than 16 percent of total system income for the last decade. The administration's 1993 proposal would continue funding CPB at approximately that same relative level. Such support will help CPB maintain the fiscal status quo within public broadcasting but it will not approach the levels necessary to "meet the needs" of public radio and television, or more importantly, meet the needs of their audiences.

Any level of federal support for public broadcasting should be judged against the benefits the service delivers to people who watch and listen, and to the nation as a whole. CPB believes that the value added by public broadcasting to society from any level of federal support far exceeds the cost of that support to the federal government. Through sustained federal support and contributions for many nonfederal sources, public broadcasting has become a very effective tool that can be used to help educate and inform all citizens. It can be done at a cost that is far lower than many other options available at the national level. With a new interconnection system under construction that will last until the year 2005, the infrastructure will soon be in place to take even greater advantage of this valuable national resource. Now is not the time to under-invest, at the margin, in public broadcasting.

By virtue of its local roots, a fiscally strong, active public broadcasting system brings local community involvement to national issues. Local public radio or television stations are first and foremost vital local institutions. Stations use their resources and outreach skills to leverage community involvement in the same way that they use federal funds to attract other funders to support the system itself. Federal funds add

critical resources to these local efforts, especially to those stations in rural areas where the population base makes local fundraising difficult.

The administration's proposal would allow the status quo to survive for another year. CPB's request would allow public radio and television stations to begin to capitalize on the equity in place to address the needs of the communities they serve.

Since CPB's federal funds are allocated by statutory formula, a comparison of how CPB's request with the President's proposal would affect all program areas is shown below:

Effect of the President's Proposal on Direct Support For Public Television

This program category includes funds for: (1) grants to stations for operational and programming support and (2) grants to help produce public television programs for national distribution.

Comparison of CPB and
The President's FY 1993 Proposals:
Direct Public Television Support
($ in millions, rounded)

	CPB's Proposed FY 1993 Budget	President's Proposed FY 1993 Budget	Difference
Direct Support of Public Television:			
Community Service Grants	$144.0	$130.5	- $13.5
Program Production	48.0	43.5	-4.5
	$192.0	$174.0	- $18.0

At the requested $285 million appropriation level, CPB would be able to continue its successful efforts to develop the public television system, add several new stations, and start some new and innovative programs. It would allow CPB the opportunity to direct more resources toward minority and independent programming while sustaining its direct support of general programming. The modest growth in the CSG program, that would be possible at the $285 million level, would allow CPB to add several stations to the system.

However, the President's proposal, **at the $259.6 million level**, would seriously restrict CPB's ability to expand support for national programming or for projects aimed at increasing programming opportunities for minority and independent producers. In addition, the reduced growth in CSG funds available under the administration's proposal would make it difficult for individual stations to sustain their current program schedules because the cost of programming is rising faster than their available revenues.

Effect of the President's Proposal on Direct Support for Public Radio

This category includes funds that underwrite: (1) grants to public radio stations for operations and programs, (2) grants to help stations produce or purchase public radio programming, and (3) funds to support the development and production of innovative radio programming that might not otherwise be initially viable in the public radio marketplace.

Comparison of CPB's and The President's FY 1993 Proposals
Direct Public Radio Support
($ in millions, rounded)

	CPB's Proposed FY 1993 Budget	President's Proposed FY 1993 Budget	Difference
Direct Support for Public Radio:			
Community Service Grants	$44.8	$40.6	-$4.2
Program Production	19.2	17.4	-1.8
	$64.0	$58.0	- $6.0

At the requested $285 million appropriation level, CPB would be able to continue its efforts to move the current public radio system toward the system originally envisioned with the passage of the Public Broadcasting Act in 1967. CPB would need the requested funds to help the public radio system expand public radio coverage in the 15 percent of the country not now served by public radio and to expand the development of programming and other services that would bring the value of local public radio to the attention of larger, more diverse audiences. At the CPB proposed funding level, some, but not all, of the required expansion could be accomplished without irreversibly damaging currently eligible stations. However, without increased funds for public radio support in the future, expansion would have to be limited to what can be supported without damaging existing stations. This limit would restrict CPB's ability to complete a comprehensive public radio system as originally planned by Congress.

At the $259.6 million level, public radio would experience a severe loss of buying power as the effects of inflation cut into the fixed pool of available funds and the number of eligible stations grows, thus increasing the number of grantees for the same nominal pool of funds. Marginally-funded stations and stations in thinly populated communities, where CPB support is critical to staying on the air, would risk failure. At this funding level, plans to expand the support of new and emerging stations would have to be severely reduced. In addition, limited overall resources would drastically reduce funds that support the development of new programming which would be targeted toward audiences that are not now reached by current programming.

CPB's Position On The President's Proposal For Satellite Replacement Funds

The Administration proposes that Congress limit total federal support for the satellite Replacement Project to a total of $180 million rather than the $200 million authorized. This position is reflected in a proposed FY 1993 Satellite Fund appropriation of $46,940,000. While all cost elements of the replacement project are coming in close to or below budget, public broadcasting projects final system costs to exceed $200 million. Since the available launch dates for new transponders have moved into 1993 and the total costs of ground segments are not fixed, it is not possible to safely assume that total system costs will be materially less than the costs projected last fall.

Comparison of CPB and The President's FY 1993 Proposals

	CPB's Proposed FY 1993 Budget	President's Proposed FY 1993 Budget	Difference
Satellite Replacement Project	$66,940,000	$46,940,000	-$20,000,000

It is important to note that the system being put in place will provide service for up to 14 years rather than the 10 years first proposed when Congress approved the original $200 million authorization. That 40 percent additional useful life has extended the planning horizon for the project well into the first decade of the 21st century. Until all of the risks and needs of that extended system are known, the full authorization must be available to ensure the quality of the final system.

Therefore, CPB urges the Committee to reject the President's proposal and requests that Congress appropriate to CPB $66,940,000 to complete the rebuilding of the satellite interconnection system as proposed in 1988.

Effect of the President's Proposal For Other System Support And Corporate Operations

Congress has set aside 6 percent of appropriated funds for CPB to use to provide general support for public broadcasting. Traditionally, CPB has chosen to apply the bulk of these funds to underwrite certain fixed system costs that benefit large portions of the public broadcasting community, such as payments for music copyright and television interconnection system operating costs. Funds in these areas are also used to support systemwide training programs, programs that encourage program and institution diversity within public broadcasting, and other programs that help develop and support the infrastructure of public broadcasting.

CPB's direct costs for salaries, rent and other logistics would be limited by law to $11.9 million for FY 1993, regardless of the level of federal appropriations.

**Comparison of CPB and
The President's FY 1993 Proposals:
($ in millions, rounded)**

	CPB's Proposed FY 1993 Budget	President's Proposed FY 1993 Budget	Difference
Other System Support	17.1	15.6	-1.5
Corporate Operations	11.9	11.9	0
	$29.0	$27.5	-$1.5

At the requested $285 million appropriation level, CPB would be able to support a wide range of activities that provide financial support and assistance to benefit public broadcasting as a whole. Sufficient funds in this category allow CPB to support selected systemwide expenses and undertake other discretionary activities that benefit particular parts of the public broadcasting community such as new employees and emerging managers. These activities include:

- o programs and projects designed to diversify public broadcasting's services and organizations including projects that stimulate the inclusion of minorities within the system, encourage an awareness and support of public broadcasting by minorities, and enhance the skills of creative people both inside and outside public broadcasting,

- o projects that develop industry and system data and research needed to manage the public broadcasting system and, in many cases, required by Congress, as part of the oversight function it has assigned to CPB, and

- o services to public broadcasting which are more efficiently done from a national perspective, such as program preservation and assistance to the visually or hearing impaired.

At the $259.6 million level, CPB would have to limit its support for these support activities by directing more of its limited discretionary funds toward activities that provide more generic support to the system as a whole such as music royalties. Such a change would reduce CPB's ability to create training programs, conduct research or undertake system outreach efforts that directly benefit smaller groups within the industry.

Comparison of CPB's FY 1993 Request And FY 1992 Appropriations

	CPB's Enacted FY 1992 Appropriation	CPB's Requested FY 1993 Appropriation	Change
SYSTEM SUPPORT			
Television:			
- Community Service Grants	$126,278,205	$143,981,687	+$17,703,482
- Program Production	42,092,735	47,993,896	+5,901,161
	$168,370,940	$191,975,583	+$23,604,643
Radio:			
- Community Service Grants	$39,286,553	$44,794,302	+$5,507,749
- Program Production	12,908,439	14,718,128	+1,809,689
- Program Fund	3,928,655	4,479,430	+550,775
	$56,123,647	$63,991,860	+$7,868,213
Other System Support	$15,061,800	$17,100,000	+$2,038,200
Corporate Operations [*]	11,473,613	11,932,557	+ 458,944
	$26,535,413	$29,032,557	+$2,497,144
Subtotal	$251,030,000	$285,000,000	+$33,970,000
Satellite Replacement	$76,250,000	$66,940,000	-$9,310,000
Total	$327,280,000	$351,940,000	+$24,660,000

[*] Set by Statute

CORPORATION FOR PUBLIC BROADCASTING
APPROPRIATIONS HISTORY
($ in Millions)

FY Year	Administration Request Sent To Congress	HOUSE Allowance	SENATE Allowance	Appropriation
		Public Broadcasting Fund		
1969	$9.0	(a)	$6.0	$5.0
1970	$15.0	(a)	$15.0	$15.0
1971	$22.0	(a)	$27.0	$23.0
1972	$35.0	$35.0	$35.0	$35.0
1973	$45.0	$45.0	$45.0	$35.0
1974	$45.0	(a)	$55.0	$50.0
1975	$60.0	$60.0	$65.0	$62.0
1976	$70.0	$78.5	$78.5	$78.5
TQ	$17.0	$17.5	$17.5	$17.5
1977	$70.0	$96.7	$103.0	$103.0
1978	$80.0	$107.1	$121.0	$119.2
1979	$90.0	$120.2	$140.0	$120.2
1980	$120.0	$145.0	$172.0	$152.0
1981	$162.0	$162.0	$162.0	$162.0
1982	$172.0	$172.0	$172.0	$172.0
1983	$172.0	$172.0	$172.0	$137.0
1984	$110.0	$110.0	$130.0	$137.5
1985	$85.0	$130.0	$130.0	$150.5
1986	$75.0	$130.0	$130.0	$159.5
1987	$186.0	(a)	$208.0	$200.0
1988	$214.0	(a)	$214.0	$214.0
1989	$214.0	$214.0	$238.0	$228.0
1990	$214.0	$238.0	$246.0	$229.4 (b)
1991	$214.0	(a)	$245.0	$242.1
1992	$242.1	$242.1	$260.0	$251.0
		Satellite Fund (c)		
1991	$0.0	(a)	$57.5	$56.8
1992	$0.0	$72.0	$80.5	$76.3

FY Year	President's FY 1991 Budget Request Sent To Congress	HOUSE Allowance	SENATE Allowance	Appropriation
1993	$259.6	-TBD-	-TBD-	-TBD-
1993 (c)	$46.9	-TBD-	-TBD-	-TBD-

(a) Allowance not included in House Bill because of the lack of authorizing legislation. Senate allowance considered by House Conferees at conference on Appropriation Bill(s).

(b) Reduced from $232,648,000 by FY 1990 Sequestration.

(c) Separate appropriation to the Public Broadcasting Satellite Interconnection Fund.

CORPORATION FOR PUBLIC BROADCASTING

Projected Public Broadcasting Nonfederal Income and Resulting Federal Matching Fund Limitations (1) ($ in Millions)

Fiscal Year	Actual or Projected Nonfederal Income (2)		Federal Matching Funds (3)	Actual Funds Authorized	Actual Funds Appropriated
1984	$807.3	Actual	$323.8	$145.0	$137.5
1985	$917.1	Actual	$367.7	$153.0	$150.5
1986	$948.3	Actual	$403.7	$162.0	$159.5
1987	$1,051.5	Actual	$458.6	$200.0	$200.0
1988	$1,120.3	Actual	$474.2	$214.0	$214.0
1989	$1,165.1	Projected	**$420.6**	$238.0	$228.0
1990	$1,211.7	Projected	**$448.1**	$254.0	$229.4
1991	$1,260.1	Projected	**$466.0**	$245.0	$242.1
1992	$1,310.6	Projected	**$484.7**	$265.0	$251.0
1993	$1,363.0	Projected	**$504.1**	$285.0	-tbd-

(1) Section 396(k)(1)(C) of the Public Broadcasting Act of 1967, as amended, limits federal appropriations to CPB to an amount equal to a portion of funds raised from nonfederal sources. The current matching provision requires that $2.50 in nonfederal support be raised for every $1.00 of federal appropriations. Actual appropriations have not approached these levels.

(2) Nonfederal income is projected using forecasts of national economic data from the President's Fiscal Year 1990 Budget Message. Revenue Data for FY 1989 are not yet available.

(3) The level of potential federal matching funds is determined by matching nonfederal income earned in the second preceding year, at a ratio of $1 federal dollar for every $2 dollars of nonfederal income for years prior to 1989. PL 100-626, the Public Telecommunications Act of 1988 changed that to $1 federal dollar for every $2.50. Those years affected by this change are in **Bold**.

Radio Grant Recipients
January 1, 1990

City/Town	State	Station	Date on Air	City/Town	State	Station	Date on Air
Birmingham	Alabama	WBHM-FM	12/5/76	Washington, DC		WETA-FM	4/19/70
Mobile	" "	WHIL-FM	9/5/79	Washington, DC		WPFW-FM	2/28/77
Huntsville	" "	WLRH-FM	10/13/76	Tallahassee	Florida	WFSU-FM	5/5/54
Troy	" "	WTSU-FM	3/1/77	Jacksonville	" "	WJCT-FM	4/1/72
Tuscaloosa	" "	WUAL-FM	1/4/82	Panama City	" "	WKGC-FM	10/21/74
Homer	Alaska	KBBI-AM	8/4/79	Miami	" "	WLRN-FM	2/48
Barrow	" "	KBRW-AM	12/22/75	Orlando	" "	WMFE-FM	7/14/80
Sitka	" "	KCAW-FM	3/6/82	Tampa	" "	WMNF-FM	9/79
Valdez	" "	KCHU-AM	9/6/86	Fort Pierce	" "	WQCS-FM	3/23/82
Dillingham	" "	KDLG-AM	11/75	Tampa	" "	WSFP-FM	9/12/83
Petersburg	" "	KFSK-FM	9/14/77	Gainesville	" "	WUFT-FM	9/27/81
Haines	" "	KHNS-FM	10/80	Tampa	" "	WUSF-FM	9/13/63
Kodiak	" "	KMXT-FM	6/14/76	Pensacola	" "	WUWF-FM	1/15/81
Kotzebue	" "	KOTZ-AM	3/3/73	West Palm Beach	" "	WXEL-FM	11/24/69
Ketchikan	" "	KRBD-FM	5/76	Atlanta	Georgia	WABE-FM	9/25/48
Anchorage	" "	KSKA-FM	8/1/78	Atlanta	" "	WCLK-FM	4/10/74
McGrath	" "	KSKO-AM	7/1/81	Atlanta	" "	WJSP-FM	1/15/85
Wrangell	" "	KSTK-FM	7/2/77	Savannah	" "	WSVH-FM	4/20/81
Juneau	" "	KTOO-FM	1/26/74	Atlanta	" "	WUGA-FM	8/28/87
Fairbanks	" "	KUAC-FM	9/20/62	Honolulu	Hawaii	KHPR-FM	11/81
Bethel	" "	KYUK-AM	5/15/70	Boise	Idaho	KBSU-FM	1/16/77
Yuma	Arizona	KAWC-AM	7/11/70	Chicago	Illinois	WBEZ-FM	4/18/43
Mesa	" "	KJZZ-FM	3/5/81	Peoria	" "	WCBU-FM	1/2/70
Flagstaff	" "	KNAU-FM	11/28/83	Glen Ellyn	" "	WDCB-FM	7/5/77
Tucson	" "	KUAT-AM	10/7/68	Normal	" "	WGLT-FM	2/6/66
Tucson	" "	KUAT-FM	5/19/75	Urbana	" "	WILL-AM	3/28/22
Tucson	" "	KXCI-FM	12/17/83	Urbana	" "	WILL-FM	9/1/41
State University	Arkansas	KASU-FM	5/17/87	Macomb	" "	WIUM-FM	5/23/56
Little Rock	" "	KUAR-FM	9/71	De Kalb	" "	WNIU-FM	10/4/54
San Francisco	California	KALW-FM	5/41	Edwardsville	" "	WSIE-FM	9/4/70
Pacific Grove	" "	KAZU-FM	10/1/77	Carbondale	" "	WSIU-FM	9/15/58
Santa Rosa	" "	KBBF-FM	5/73	Springfield	" "	WSSU-FM	1/1/75
San Luis Obispo	" "	KCBX-FM	7/5/75	Rock Island	" "	WVIK-FM	8/25/80
Chico	" "	KCHO-FM	1977	Indianapolis	Indiana	WAJC-FM	9/25/50
Santa Monica	" "	KCRW-FM	9/1/48	West Lafayette	" "	WBAA-AM	4/4/22
San Mateo	" "	KCSM-FM	10/12/64	Fort Wayne	" "	WBNI-FM	6/15/78
Northridge	" "	KCSN-FM	11/3/63	Muncie	" "	WBST-FM	9/12/80
Salinas	" "	KHDC-FM	10/87	Bloomington	" "	WFIU-FM	10/1/50
Arcata	" "	KHSU-FM	1980	Indianapolis	" "	WFYI-FM	10/1/54
Long Beach	" "	KLON-FM	1/1/50	Evansville	" "	WNIN-FM	2/1/82
San Diego	" "	KPBS-FM	10/60	Vincennes	" "	WVUB-FM	12/7/70
Pasadena	" "	KPCC-FM	9/57	Waterloo	Iowa	KBBG-FM	7/78
Berkeley	" "	KPFA-FM	4/15/49	Cedar Rapids	" "	KCCK-FM	7/1/75
North Hollywood	" "	KPFK-FM	7/26/59	Cedar Falls	" "	KHKE-FM	4/1/74
San Francisco	" "	KQED-FM	6/6/69	Council Bluffs	" "	KIWR-FM	11/23/81
Fresno	" "	KSJV-FM	7/4/80	Iowa City	" "	KSUI-FM	1948
Stockton	" "	KUOP-FM	9/22/47	Fort Dodge	" "	KTPR-FM	10/15/80
Los Angeles	" "	KUSC-FM	4/1/66	Cedar Falls	" "	KUNI-FM	9/15/60
Santa Cruz	" "	KUSP-FM	4/24/72	Sioux City	" "	KWIT-FM	1/31/78
San Bernadino	" "	KVCR-FM	12/2/53	Ames	" "	WOI-AM	10/1/22
Fresno	" "	KVPR-FM	10/15/78	Ames	" "	WOI-FM	1/1/49
Sacramento	" "	KXPR-FM	4/79	Iowa City	" "	WSUI-AM	1/1/19
Denver	Colorado	KCFR-FM	1/2/70	Lawrence	Kansas	KANU-FM	9/15/52
Fort Collins	" "	KCSU-FM	9/64	Pierceville	" "	KANZ-FM	6/29/80
Boulder	" "	KGNU-FM	5/78	Hutchenson	" "	KHCC-FM	7/1/79
Grand Junction	" "	KPRN-FM	1/2/85	Manhattan	" "	KKSU-AM	12/1/24
Colorado Springs	" "	KRCC-FM	4/51	Wichita	" "	KMUW-FM	4/26/49
Ignacio	" "	KSUT-FM	6/76	Pittsburg	" "	KRPS-FM	4/29/88
Greeley	" "	KUNC-FM	1/1/67	Lexington	Kentucky	WUKY-FM	3/13/41
Denver	" "	KUVO-FM	8/29/85	Richmond	" "	WEKU-FM	10/68
Hartford	Connecticut	WPKT-FM	6/11/78	Louisville	" "	WFPK-FM	8/25/54
Fairfield	" "	WSHU-FM	[illegible]/64	Louisville	" "	WFPL-FM	2/15/50
Washington, DC		WAMU-FM	10/23/61	Murray	" "	WKMS-FM	5/1/70

29-886 O—90——11

Radio Grant Recipients
January 1, 1990

City/Town	State	Station	Date on Air	City/Town	State	Station	Date on Air
Bowling Green	Kentucky	WKYU-FM	11/8/80	Omaha	Nebraska	KVNO-FM	8/27/81
Morehead	" "	WMKY-FM	6/15/85	Las Vegas	Nevada	KCEP-FM	10/73
Highland Heights	" "	WNKU-FM	4/29/85	Las Vegas	" "	KNPR-FM	3/24/80
Shreveport	Louisiana	KDAQ-FM	12/20/84	Reno	" "	KUNR-FM	1963
Lafayette	" "	KRVS-FM	1963	Concord	New Hampshire	WEVO-FM	8/4/81
Hammond	" "	KSLU-FM	11/11/74	Newark	New Jersey	WBGO-FM	12/1/77
New Orleans	" "	WRBH-FM	**	Trenton	" "	WWFM-FM	9/6/82
Baton Rouge	" "	WRKF-FM	1/18/80	Portales	New Mexico	KENW-FM	9/1/79
New Orleans	" "	WWNO-FM	2/20/72	Las Cruces	" "	KRWG-FM	9/6/84
Bangor	Maine	WMEA-FM	4/22/74	Pine Hill	" "	KTDB-FM	4/24/72
Bangor	" "	WMEH-FM	9/19/70	Albuquerque	" "	KUNM-FM	10/19/86
Baltimore	Maryland	WBJC-FM	4/6/51	Syracuse	New York	WAER-FM	6/14/47
Baltimore	" "	WEAA-FM	1/10/77	Albany	" "	WAMC-FM	10/1/58
Baltimore	" "	WJHU-FM	10/16/87	New York	" "	WBAI-FM	1960
Salisbury	" "	WSCL-FM	5/20/87	Buffalo	" "	WBFO-FM	1/7/59
Boston	Massachusetts	WBUR-FM	3/1/50	Syracuse	" "	WCNY-FM	12/4/71
Amherst	" "	WFCR-FM	5/6/61	Buffalo	" "	WEBR-AM	10/14/24
Boston	" "	WGBH-FM	10/6/51	Bronx	" "	WFUV-FM	1947
Worcester	" "	WICN-FM	11/24/89	Schenectady	" "	WMHT-FM	6/8/72
Boston	" "	WUMB-FM	9/19/82	Buffalo	" "	WNED-FM	6/6/60
Berrien Springs	Michigan	WAUS-FM	1/30/71	New York	" "	WNYC-AM	1924
Twin Lake	" "	WBLV-FM	1982	New York	" "	WNYC-FM	9/21/43
Mount Pleasant	" "	WCMU-FM	4/6/64	Oswego	" "	WRVO-FM	1/6/69
Detroit	" "	WDET-FM	6/16/52	Binghamton	" "	WSKG-FM	10/22/75
Ypsilanti	" "	WEMU-FM	12/8/65	Canton	" "	WSLU-FM	3/7/68
Flint	" "	WFBE-FM	10/5/53	Rochester	" "	WXXI-AM	1/2/84
Grand Rapids	" "	WGVU-FM	7/18/83	Rochester	" "	WXXI-FM	12/27/74
Interlochen	" "	WIAA-FM	7/22/63	Asheville	North Carolina	WCQS-FM	12/75
East Lansing	" "	WKAR-AM	8/18/22	Davidson	" "	WDAV-FM	12/1/78
East Lansing	" "	WKAR-FM	6/4/48	Charlotte	" "	WFAE-FM	6/29/81
Kalamazoo	" "	WMUK-FM	1/8/51	Winston-Salem	" "	WFDD-FM	3/13/81
Marquette	" "	WNMU-FM	8/18/63	Fayetteville	" "	WFSS-FM	7/2/77
Ann Arbor	" "	WUOM-FM	7/4/48	Wilmington	" "	WHQR-FM	6/84
Grand Rapids	" "	KAXE-FM	4/23/76	New Bern	" "	WTEB-FM	6/4/84
Moorhead	Minnesota	KCCM-FM	10/17/71	Chapel Hill	" "	WUNC-FM	4/1/76
Minneapolis	" "	KFAI-FM	5/1/78	Bismarck	North Dakota	KCND-FM	9/1/81
Rochester	" "	KLSE-FM	12/17/74	Fargo	" "	KDSU-FM	1/17/86
Mankato	" "	KMSU-FM	1963	Belcourt	" "	KEYA-FM	10/75
St. Paul	" "	KNOW-AM	1/16/80	Grand Forks	" "	KFJM-AM	10/22/23
Worthington	" "	KRSW-FM	12/2/73	Grand Forks	" "	KFJM-FM	5/30/76
Jackson	" "	KSJN-FM	7/7/87	New Town	" "	KMHA-FM	6/9/84
Collegeville	" "	KSJR-FM	1/22/67	Columbus	Ohio	WCBE-FM	9/24/56
Duluth	" "	KUMD-FM	1/1/56	Cleveland	" "	WCPN-FM	9/8/84
Minneapolis	" "	KUOM-AM	1/22	Toledo	" "	WGTE-FM	4/2/76
Northfield	" "	WCAL-FM	4/5/68	Cincinnati	" "	WGUC-FM	9/21/60
Duluth	" "	WSCD-FM	2/15/75	Kent	" "	WKSU-FM	10/2/50
Jackson	Mississippi	WJSU-FM	8/3/75	Oxford	" "	WMUB-FM	11/50
Jackson	" "	WMAA-FM	11/15/83	Columbus	" "	WOSU-AM	4/24/22
Lorman	" "	WPRL-FM	3/87	Columbus	" "	WOSU-FM	12/13/49
Holly Springs	" "	WURC-FM	10/88	Athens	" "	WOUB-AM	8/14/57
Columbia	Missouri	KBIA-FM	3/1/72	Athens	" "	WOUB-FM	12/13/49
Warrensburg	" "	KCMW-FM	6/1/89	Cincinnati	" "	WVXU-FM	1971
Kansas City	" "	KCUR-FM	10/1/57	Yellow Springs	" "	WYSO-FM	2/8/58
St. Louis	" "	KDHX-FM	10/14/87	Youngstown	" "	WYSU-FM	10/23/49
Columbia	" "	KOPN-FM	3/73	Edmond	Oklahoma	KCSC-FM	1966
Springfield	" "	KSMU-FM	5/7/74	Norman	" "	KOOU-FM	1/83
Rolla	" "	KUMR-FM	8/31/73	Stillwater	" "	KOSU-FM	12/29/55
St. Louis	" "	KWMU-FM	6/2/72	Tulsa	" "	KWGS-FM	10/19/47
Maryville	" "	KXCV-FM	1/14/71	Portland	Oregon	KBOO-FM	6/68
Billings	Montana	KEMC-FM	1972	Portland	" "	KBPS-AM	3/23/23
Missoula	" "	KUFM-FM	1/30/85	Eugene	" "	KLCC-FM	2/17/67
Omaha	Nebraska	KIOS-FM	9/15/89	Corvallis	" "	KOAC-AM	12/7/22
Lincoln	" "	KUCV-FM	10/67	Portland	" "	KOPB-FM	4/30/62

Radio Grant Recipients
January 1, 1990

City/Town	State	Station	Date on Air
Ashland	Oregon	KSOR-FM	5/19/89
Eugene	" "	KWAX-FM	6/4/81
Pittsburgh	Pennsylvania	WDUQ-FM	12/14/49
Philadelphia	" "	WHYY-FM	10/21/54
Harrisburg	" "	WITF-FM	6/1/71
Pittsburgh	" "	WQED-FM	1/23/73
Erie	" "	WQLN-FM	1/7/73
Philadelphia	" "	WRTI-FM	7/53
Pittston	" "	WVIA-FM	4/23/73
Philadelphia	" "	WXPN-FM	1957
Columbia	South Carolina	WLTR-FM	7/1/76
Mt. Pleasant	" "	WSCI-FM	4/15/73
Porcupine	South Dakota	KILI-FM	2/25/83
Vermillion	" "	KUSD-AM	5/20/22
Johnson City	Tennessee	WETS-FM	2/26/74
Memphis	" "	WKNO-FM	6/1/72
Murfreesboro	" "	WMOT-FM	6/9/69
Nashville	" "	WPLN-FM	12/17/62
Collegedale	" "	WSMC-FM	3/21/67
Knoxville	" "	WUOT-FM	10/10/49
Chattanooga	" "	WUTC-FM	6/1/82
College Station	Texas	KAMU-FM	3/30/77
Dallas	" "	KERA-FM	7/11/74
Commerce	" "	KETR-FM	4/7/75
Corpus Christi	" "	KKED-FM	3/2/82
Killeen	" "	KNCT-FM	11/23/70
San Antonio	" "	KPAC-FM	11/7/82
Houston	" "	KPFT-FM	3/1/70
El Paso	" "	KTEP-FM	9/50
Houston	" "	KUHF-FM	11/50
Austin	" "	KUT-FM	11/10/58
Beaumont	" "	KVLU-FM	4/30/74
El Paso	" "	KXCR-FM	4/30/85
Provo	Utah	KBYU-FM	9/12/60
Park City	" "	KPCW-FM	7/2/80
Salt Lake City	" "	KRCL-FM	12/5/79
Salt Lake City	" "	KUER-FM	6/4/60
Logan	" "	KUSU-FM	2/18/53
Windsor	Vermont	WVPR-FM	8/15/77
Richmond	Virginia	WCVE-FM	5/6/88
Norfolk	" "	WHRO-FM	7/16/73
Harrisonburg	" "	WMRA-FM	11/12/75
Roanoke	" "	WVTF-FM	8/73
Granger	Washington	KDNA-FM	12/19/79
Spokane	" "	KPBX-FM	1/19/80
Tacoma	" "	KPLU-FM	1966
Tacoma	" "	KTPS-FM	6/1/49
Seattle	" "	KUOW-FM	1/15/52
Pullman	" "	KWSU-AM	12/10/22
Charleston	West Virginia	WVPN-FM	6/79
Madison	Wisconsin	WERN-FM	3/30/47
Kenosha	" "	WGTD-FM	12/23/75
Madison	" "	WHA-AM	1/7/19
La Crosse	Wisconsin	WLSU-FM	1/4/71
Hayward	" "	WOJB-FM	4/14/82
Madison	" "	WORT-FM	12/1/75
Milwaukee	" "	WUWM-FM	9/27/64
Rhinelander	" "	WXPR-FM	4/24/83
Milwaukee	" "	WYMS-FM	3/73
Laramie	Wyoming	KUWR-FM	9/66
San Juan	Puerto Rico	WRTU-FM	2/8/80

**Most applicable - multiple station listings

Television Grant Recipients
January 1, 1990

City/Town	State	Station	Date On Air
Birmingham	Alabama	Alabama PTV	**
Anchorage	Alaska	KAKM	5/1/75
Juneau	" "	KTOO	9/1/78
Fairbanks	" "	KUAC	12/22/71
Bethel	" "	KYUK	4/1/72
Tempe	Arizona	KAET	1/30/61
Tucson	" "	KUAT	3/8/59
Conway	Arkansas	Arkansas ETV	**
Los Angeles	California	KCET	1963
San Mateo	" "	KCSM	10/12/64
Eureka	" "	KEET	3/70
Redding	" "	KDOE	10/5/64
Los Angeles	" "	KLCS	11/5/73
Fresno	" "	KMTF	4/10/77
Huntington Beach	" "	KOCE	11/20/72
San Diego	" "	KPBS	6/25/67
San Francisco	" "	KQED	6/54
Rohnert Park	" "	KRCB	12/2/84
San Jose	" "	KTEH	10/19/64
San Bernadino	" "	KVCR	9/11/62
Sacramento	" "	KVIE	1960
Denver	Colorado	KBDI	2/22/80
Denver	" "	KRMA	1/30/56
Pueblo	" "	KTSC	2/71
Hartford	Connecticut	Connecticut PTV	**
Stamford	" "	WEDW	12/17/67
Arlington	Virgnia	WETA	**
Washington, DC		WHMM	10/2/81
Daytona Beach	Florida	WCEU	2/1/88
Tampa	" "	WEDU	10/27/58
Tallahassee	" "	WFSU	9/20/60
Jacksonville	" "	WJCT	9/11/58
Miami	" "	WLRN	1981
Orlando	" "	WMFE	3/15/65
Miami	" "	WPBT	8/12/55
Tampa	" "	WSFP	8/15/83
Pensacola	" "	WSRE	10/67
Gainesville	" "	WUFT	11/10/58
Tampa	" "	WUSF	9/12/66
Boynton Beach	" "	WXEL	7/82
Atlanta	Georgia	WGTV	5/60
Atlanta	" "	Atlanta PTC	**
Atlanta	" "	WPBA	2/18/58
Honolulu	Hawaii	Hawaii PBA	**
Boise	Idaho	KAID	12/31/71
Pocatello	" "	KISU	10/1/71
Moscow	" "	KUID	12/9/65
Charleston	Illinois	WEIU	7/1/86
Urbana	" "	WILL	8/1/55
Springfield	" "	WMEC	11/1/84
Moline	" "	WQPT	11/2/83
Carbondale	" "	WSIU	11/61
Chicago	" "	WTTW	1955
Peoria	" "	WTVP	6/27/71
Dundas	" "	WUSI	8/68
Chicago	" "	WYCC	2/20/56
Fort Wayne	Indiana	WFWA	12/6/86
Indianapolis	" "	WFYI	10/4/70
Muncie	" "	WIPB	10/31/71
Evansville	" "	WNIN	10/73
Elkhart	" "	WNIT	2/10/74
Bloomington	" "	WTIU	3/3/69
Vincennes	" "	WVUT	9/67
Merrillville	" "	WYIN	11/15/87
Bunker Hill	Kansas	KOOD	11/10/82
Wichita	Kansas	KPTS	1/70
Topeka	" "	KTWU	10/21/65
Lexington	Kentucky	Kentucky AETV	**
Louisville	" "	WKPC	9/58
Bowling Green	" "	WKYU	1/17/89
New Orleans	Louisiana	WLAE	7/1/84
Baton Rouge	" "	Louisiana ETV A	**
New Orleans	" "	WYES	4/1/57
Lewiston	Maine	WCBB	11/13/81
Portland	" "	WMEA	2/3/75
Bangor	" "	Univ of Maine Sys	**
Owings Mills	Maryland	Maryland PTV	**
Boston	Massachusetts	WGBH	5/2/55
Springfield	" "	WGBY	9/26/71
Mt. Pleasant	Michigan	WCMU	1967
Flint	" "	WFUM	8/23/80
Grand Rapids	" "	WGVU	12/17/72
East Lansing	" "	WKAR	1/15/54
Marquette	" "	WNMU	12/28/72
Detroit	" "	WTVS	10/3/55
University Center	" "	WUCM	10/12/64
Bemidji	Minnesota	KAWE	6/1/80
Austin	" "	KSMQ	10/17/72
St. Paul	" "	KTCA	9/15/57
Appleton	" "	KWCM	1/66
Duluth	" "	WDSE	9/64
Jackson	Mississippi	Mississippi AETV	**
Kansas City	Missouri	KCPT	1/1/72
St. Louis	" "	KETC	1954
Warrensburg	" "	KMOS	12/22/79
Springfield	" "	KOZK	1/21/75
Bozeman	Montana	KUSM	10/1/84
Lincoln	Nebraska	KUON	11/1/54
Lincoln	" "	Nebraska ETC	**
Las Vegas	Nevada	KLVX	3/25/68
Reno	" "	KNPB	9/29/83
Durham	New Hampshire	WENH	4/1/59
Trenton	New Jersey	New Jersey PBN	**
Portales	New Mexico	KENW	9/1/74
Albuquerque	" "	KNME	5/1/58
Las Cruces	" "	KRWG	6/29/73
Plattsburg	New York	WCFE	3/6/77
Syracuse	" "	WCNY	12/20/65
Plainview	" "	WLIW	1/69
Schenectady	" "	WMHT	3/28/82
Buffalo	" "	WNED	3/30/59
New York	" "	WNET	1962
Watertown	" "	WNPE	8/19/71
Brooklyn	" "	WNYE	4/67
Binghamton	" "	WSKG	5/12/68
Rochester	" "	WXXI	9/6/66
Charlotte	North Carolina	WTVI	8/65
Chapel Hill	" "	Univ of NC CPTV	**
Bowling Green	Ohio	WBGU	1964
Cincinnati	" "	WCET	7/26/54
Toledo	" "	WGTE	1960
Kent	" "	WNEO	5/73
Columbus	" "	WOSU	
Athens	" "	WOUB	1962
Dayton	" "	WPTD	10/1/73
Cleveland	" "	WVIZ	2/7/65
Oklahoma City	Oklahoma	Oklahoma ETV A	**
Claremore	" "	KOXON	7/1/87
Portland	Oregon	Oregon PTV	**
Medford	" "	KSYS	1/1/77

Television Grant Recipients
January 1, 1990

City/Town	State	Station	Date On Air
Philadelphia	Pennsylvania	WHYY	9/12/63
Harrisburg	" "	WITF	11/22/64
Bethlehem	" "	WLVT	9/65
University Park	" "	WPSX	3/15/65
Pittsburgh	" "	WQED	4/1/54
Pittsburgh	" "	WQEX	1959
Erie	" "	WQLN	8/13/67
Pittston	" "	WVIA	9/26/66
Providence	Rhode Island	WSBE	6/5/67
Beaufort	South Carolina	WJWJ	9/75
Columbia	" "	S. Carolina ETV(	**
Rock Hill	" "	WNSC	7/16/78
Spartanburg	" "	WRET	7/85
Sumter	" "	WRJA	9/7/75
Brookings	South Dakota	KESD	2/8/68
Vermillion	" "	South Dakota PB	**
Vermillion	" "	KUSD	7/61
Cookeville	Tennessee	WCTE	8/21/78
Nashville	" "	WDCN	9/10/62
Memphis	" "	WKNO	1956
Martin	" "	WLJT	2/16/68
Knoxville	" "	WSJK	9/66
Chattanooga	" "	WTCI	3/3/70
Amarillo	Texas	KACV	8/29/88
College Station	" "	KAMU	2/15/70
El Paso	" "	KCOS	8/18/78
Corpus Christi	" "	KEDT	10/16/72
Dallas	" "	KERA	9/11/60
San Antonio	" "	KLRN	9/1/62
Austin	" "	KLRU	5/4/79
Harlingen	" "	KMBH	10/8/85
Killeen	" "	KNCT	11/23/70
Odessa	" "	KOCV	3/24/86
Lubbock	" "	KTXT	10/62
Houston	" "	KUHT	5/53
Provo	Utah	KBYU	11/15/65
Salt Lake City	" "	KUED	1/8/58
Salt Lake City	" "	KULC	**
Winooski	Vermont	Vermont ETV	10/19/67
Roanoke	Virginia	WBRA	1967
Richmond	" "	WCVE	9/64
Norfolk	" "	WHRO	10/2/81
Falls Church	" "	WNVC	6/1/83
Falls Church	" "	WNVT	7/73
Harrisonburg	" "	WVPT	1968
Seattle	Washington	KCTS	12/7/54
Spokane	" "	KSPS	4/24/67
Tacoma	" "	KTPS	9/25/81
Pullman	" "	KWSU	9/24/62
Yakima	" "	KYVE	1962

City/Town	State	Station	Date On Air
Morgantown	West Virginia	WNPB	2/23/69
Huntington	" "	WPBY	7/69
Beckley	" "	WSWP	11/1/70
Madison	Wisconsin	WHA	5/3/54
Madison	" "	ECB	**
Riverton	Wyoming	KCWC	5/10/83
Pago Pago	Am. Samoa	KVZK	1964
Agana	Guam	KGTF	10/30/70
Hato Rey	Puerto Rico	WIPR	1/6/58
Rio Piedras	" "	WMTJ	2/17/85
St. Thomas	Virgin Islands	WTJX	8/29/72

**not applicable - multiple station listings

THURSDAY, MARCH 29, 1990.

NATIONAL COUNCIL ON DISABILITY

WITNESSES

ETHEL D. BRIGGS, ACTING EXECUTIVE DIRECTOR
JOHN A. GANNON, MEMBER, NATIONAL COUNCIL ON DISABILITY

Mr. NATCHER. Now we take up the National Council on Disability. We have before the committee at this time Ms. Briggs, the Acting Executive Director. And before you give us your statement, tell us who you have with you there at the table, Ms. Briggs.

Ms. BRIGGS. Good afternoon, Mr. Chairman, and distinguished members of the committee. I would like to introduce Mr. John Gannon, Member of the National Council on Disability.

Mr. NATCHER. We are delighted to have both of you before the committee. At this time, we will be pleased to hear from you.

OPENING STATEMENT

Ms. BRIGGS. We are pleased to come before you today to discuss the current and future activities of the National Council and to solicit your support for our agency.

Mr. Chairman, with your permission, I would like to summarize our testimony and submit the full testimony for the record. The National Council applauds the House Subcommittee under the capable leadership of Chairman Natcher.

Members of the subcommittee may recall that the original recommendation for a comprehensive civil rights act for persons with disabilities was included in the National Council's first major report to the Congress, TOWARD INDEPENDENCE.

As a result of this recommendation, the Americans with Disabilities Act, ADA, was first introduced in the 100th Congress, and again in the 101st Congress. Mr. Chairman, as you are aware, ADA is being reviewed by your colleagues and in four committees.

We hope that the momentum to pass the ADA will continue as the full House approaches consideration of this legislation, and that we will soon join the President at the long-awaited signing ceremony.

AMERICANS WITH DISABILITIES ACT

The National Council recognizes, however, that the major task lies ahead of us, the implementation of the Americans with Disabilities Act. The National Council with the support of the Congress is willing to provide technical assistance to agencies affected by the Act, such as businesses, universities, recreational and sports facilities, and employers; to assist Federal agencies in the development of regulations so that the implementation of ADA will not be de-

layed for lack of regulations, as was the case with the implementation of section 504 of the Rehabilitation Act; and to mount a public awareness campaign to educate persons with disabilities and their families and other citizens on the Act.

BUDGET REQUEST

During fiscal year 1990, we received $1,140,000 for the activities and operations of the National Council. In addition, the Congress appropriated $400,000 for a study on the education of children with disabilities, which I will highlight later in my testimony.

For fiscal year 1991, the National Council is requesting $1,200,000 in order to fulfill our mandate in a cost-efficient manner.

I would like to take this opportunity to thank the members of the Appropriations Committee for making funds available for such initiatives as your education study. As you know, the National Council is mandated by statute to have only 10 FTEs, eight of which are staff positions. We have never come to you seeking additional FTEs or for a larger budget for personnel costs.

Rather, we tried to spend our funds on program initiatives that will benefit citizens with disabilities and their families in this country. We ask for your continued support for funding of these special initiatives which are identified by the National Council.

Briefly, I will share with you a description of the National Council's plans for fiscal year 1990 and then outline our objectives for fiscal year 1991.

EDUCATION STUDY

For fiscal year 1990, we plan to study the status of education of children of students with disabilities. This study will build upon our report, the EDUCATION OF STUDENTS WITH DISABILITIES: WHERE DO WE STAND?, and will attempt to explore some of the problems raised in this report.

We continue to believe that a separate, independent commission under the direction of the National Council is warranted and long overdue.

Only when we are able to have an in-depth, an impartial assessment of the implementation of 94-142, the Education of the Handicapped Act, will the Congress and the nation have a clear understanding of the educational needs of students with disabilities and their families.

TECHNOLOGY STUDY

Public Law 100-407, the Technology Related Assistance for Persons with Disabilities Act of 1988 authorized the National Council to conduct a major study on the financing of assistive technology services and devices for individuals with disabilities.

Through Title II of the Act, the National Council will receive $250,000 this fiscal year to conduct this study. We recognize that assistive technology can often provide unlimited opportunities for children and adults with disabilities.

HEALTH INSURANCE

Health insurance is a major concern to persons with disabilities and their families. To address this matter, the National Council is conducting a preliminary study on health insurance, and we are confident that this study will stimulate thoughtful policy discussions on an issue which touches virtually every American with a disability.

PERSONAL ASSISTANCE SERVICES

Another matter which the National Council has been concerned about, is the need to provide personal assistance services to persons with disabilities. The National Council will hold hearings on personal assistance services later this summer and hear from a variety of disability groups about their personal assistance needs.

We are hopeful that these hearings will lead to policy recommendations which will ensure that persons with disabilities and their families receive these critical services.

PREVENTION

The National Council is continuing to work with the Centers for Disease Control, CDC, on our mutual efforts to prevent primary and secondary disabilities.

We plan to co-sponsor along with CDC two working sessions, one on the prevention of secondary disabilities persons who are spinal cord injured and another on secondary disabilities of individuals with cerebral palsy.

Secondary disabilities, that is, those disabilities which occur as a result of an individual's primary disability, is a major concern to the National Council. Many individuals with disabilities are experiencing greater difficulty in living and working independently due to the acquisition of a secondary disability. We are confident that information gleaned from these two conferences will ultimately improve the quality of life for persons with disabilities.

REPORTS

The National Council plans to focus a special report for fiscal year 1990 on the civil rights of persons with disabilities. This report will trace the history of the development of the Act and explain the overarching need for such a law.

PROJECTED ACTIVITIES FOR FY 1991

As I mentioned earlier in my statement, the National Council is requesting $1,200,000 for fiscal year 1991. I will briefly describe our projected activities for the upcoming fiscal year.

The National Council will continue its initiatives in such areas as prevention, health insurance, personal assistance services, civil rights for people with disabilities, employment, education, children at-risk, such as babies with AIDS, drug addiction and abandoned or boarder babies, and Native Americans with disabilities.

NATIVE AMERICANS

The National Council, in conjunction with the Centers for Disease Control and the Indian Health Service, will be holding a national conference on the unique needs of Native Americans with disabilities in 1991, and we will also be co-sponsoring the first national conference on the prevention of disabilities with the Centers for Disease Control and the Office of Minority Health Professionals.

FORUMS

In addition to our mandated quarterly meetings, the National Council is planning to hold public forums on such issues as technological aids and devices for persons with disabilities, the prevention of primary and secondary disabilities, individuals with AIDS and the service delivery system, education, and employment issues.

STATUTORY MANDATE

The National Council on Disability will continue to fulfill its statutory requirements to establish general policies for the National Institute on Disability and Rehabilitation Research and the President's Committee on the Employment of People with Disabilities.

CLOSING COMMENTS

In closing, I would like to say that we are proud of the contributions which our agency has made over the years. Through hard work and deliberation, the National Council has helped shape disability policy in such areas as education, health, prevention, employment and research, which will take us well into the 1990's and beyond.

The members and staff of the National Council are prepared for the challenges and complex problems which most certainly lie ahead. We are prepared to work with the Congress and the President to continue to establish public policy which will enable persons with disabilities to live and work independently and productively.

Thank you for the opportunity to testify before the Committee. I will be pleased to answer any questions that you may have.

[The information follows:]

BIOGRAPHICAL SKETCH OF ETHEL D. BRIGGS

Ethel D. Briggs serves as the Deputy Executive Director of the National Council. Ms. Briggs joined the staff of the National Council in 1985 as the Adult Services Specialist.

She was previously employed as Chief of the Office of Staff Development and Training for the District of Columbia Rehabilitation Services Administration. Her prior experience included employment as a rehabilitation counselor supervisor, vocational rehabilitation counselor and part-time instructor at George Washington University.

Ms. Briggs graduated from North Carolina Central University and holds a Master's Degree in Counseling from the University of North Carolina at Chapel Hill.

Ms. Briggs has received numerous awards for her outstanding contributions in the field of rehabilitation. She is the current President of the National Rehabilitation Counseling Association.

Good Afternoon! Mr. Chairman and distinguished members of the Committee, I am Sandra Swift Parrino, Chairperson of the National Council on Disability. I would like to introduce to you Ethel D. Briggs, the Acting Executive Director of the National Council. We are pleased to come before you today to discuss the current and future activities of the National Council and to solicit your continued support for our agency.

The National Council applauds the House Subcommittee under the capable leadership of Chairman Natcher. Members of the Subcommittee may recall that the original recommendation for a comprehensive civil rights act for persons with disabilities was included in the National Council's first major report to the Congress, Toward Independence. As a result of this recommendation, The Americans with Disabilities Act (ADA) was first introduced in the 100th Congress and again in the 101st Congress.

Mr. Chairman, as you are aware, ADA is being reviewed by your colleagues in four Committees. We hope that the momentum to pass the ADA will continue as the full House approaches consideration of this legislation and that we will soon join the President at the long awaited signing ceremony.

The National Council recognizes that the major tasks lie ahead of us - the implementation of the Americans with Disabilities Act. The National Council with the support of the Congress is willing to provide technical assistance to agencies affected by the Act such as business, universities, recreational and sports facilities, and employers; to assist federal agencies in the development of

regulations so that the implementation of ADA will not be delayed for the lack of regulations as was the case with the implementation of Section 504 of the Rehabilitation Act; and to mount a public awareness campaign to educate persons with disabilities, their families and other citizens on the Act.

We are justifiably proud of our accomplishments in recent years because we are certain that we have helped shape public policy which will improve the lives of persons with disabilities and their families. Yet, we are keenly aware that much more work remains to be done if individuals with disabilities are to live and work with dignity in our society.

As you know, the National Council is an independent Federal agency charged with reviewing all laws, programs, and policies of the Federal Government and to make such recommendations as it deems necessary to the President and the Congress. Although several other federal agencies have the responsibility for administering programs which serve children and adults with disabilities, the National Council is the only Federal agency with the mandated responsibility to address, analyze, and make recommendations on all issues of public policy which effect persons with disabilities. Finally, the National Council is charged with reviewing general policies and research priorities of the National Institute on Disability and Rehabilitation Research and for providing guidance to the President's Committee on Employment of People with Disabilities.

The National Council shapes disability policy in the following areas: education, health, prevention, social, employment and research. The National Council is extremely proud to be recognized as the only agency responsible for the development of disability policy in this country. In fact, the National Council's reputation as the United States' disability policy agency has reached the governments of other countries. The National Council has received several requests from foreign countries for technical assistance and advice in the development of disability policy.

During FY 90, we received $1.140 million for the activities and operations of the National Council. In addition, the Congress appropriated $400,000 for a study on the education of children with disabilities, which I will highlight later in my testimony. For FY 91, the National Council is requesting $1.2 million in order to fulfill our mandate in a cost efficient manner.

I would like to take this opportunity to thank the members of the Appropriations Committee for making funds available for such initiatives as our education study. As you know, the National Council is mandated by statute to have only 10 FTE's, eight of which are staff positions. We have never come to you seeking additional FTE's or for a larger budget for personnel costs, rather we try to spend our funds on program initiatives that will benefit citizens with disabilities and their families in this country. We ask for your continued support and funding of these special initiatives which are identified by the National Council.

Now, I would like to share with you a brief description of the accomplishments of the National Council on Disability in FY 89, our current plans for FY 90 and then outline our plans for FY 91.

ACCOMPLISHMENTS DURING FY 89

During FY 1989, the National Council successfully completed a number of initiatives which positively affected the lives of children and adults with disabilities and their families. These projects included the following:

- On September 19, 1989, the National Council released a special report entitled, The Education of Students with Disabilities: Where do we Stand? This report is the result of four days of hearings held by the National Council in which we heard from over 50 witnesses. In this report, we addressed 31 findings which represent both a summary of issues presented to us by witnesses as well as our own review of relevant studies and materials. Twenty questions are raised which we feel must be thoroughly explored if the education of students with disabilities is to be improved. Perhaps more importantly, we recommended that this study become the foundation of a continuing effort to assess the educational needs of students with disabilities.

- In August, 1989, the National Council proudly hosted a conference entitled **Disability: A Family Affair.** The purpose of this conference was to bring together persons with disabilities, family members, educators, service providers and representatives of advocacy organizations to discuss the needs and problems that families face every day. I am pleased to report that this conference was very successful with over four hundred persons in attendance. Moreover, important policy recommendations were developed which will assist the National Council in formulating public policy in a variety of areas.

- On May 9, 1989, the **Americans with Disabilities Act** was introduced in both Houses of Congress (S.933 and H.R.2273). This legislation is the fruition of years of work by members of the National Council in which were heard from literally thousands of persons with disabilities about the discrimination which they contend with on a daily basis. While the **Americans with Disabilities Act of 1989** is not identical to the legislation drafted by the National Council, its intentions are the same: to remove attitudinal, architectural, and communication barriers which deny persons with disabilities access to our society.

I was pleased to present testimony on behalf of the National Council before the House Subcommittee on Select Education on July 18, 1989. We continue to monitor the progress of this all-important legislation and lend our expertise, where appropriate. As I indicated previously, the Council is prepared to provide technical assistance and a public education campaign on this legislation in order to ensure its immediate implementation.

- The National Council continues to be concerned about the prevention of primary and secondary disabilities. In FY 89, the Centers for Disease Control (CDC) received funding to establish Offices of Prevention in various states. During that year, CDC funded nine State projects as well as four university-based projects related to prevention activities. In addition, CDC awarded a grant to the Institute of Medicine to study a variety of issues surrounding the prevention of primary and secondary disabilities. The National Council has worked very closely with CDC on these efforts. Finally, the National Council has actively participated in the drafting of The Year 2000 Health Objectives for the Nation, ensuring that primary and secondary disability prevention were addressed.

- In addition to our mandated quarterly meetings, the National Council held public forums on the following issues of concern to persons with disabilities: 1) the **Americans with Disabilities Act**; 2) the **Social Security Act**; and 3) the long term health care needs of children and adults with disabilities. In order to fulfill our mandate to review all policies and programs which effect persons with disabilities, the above forums, coupled with the list of consumer advisors which we maintain, allows the National Council to continually seek input from those persons who are most affected by our work: individuals with disabilities.

- In accordance with our statutory mandate to establish general policy for and review the operations of the **National Institute on Disability and Rehabilitation Research (NIDRR)**. The National Council had several meetings with NIDRR to discuss the development of the NIDRR's five year plan and also to raise other issues of concern to Council members. We feel that these meeting have been productive for all persons involved and one tangible by-product is that NIDRR has assigned a staff person to work directly with the National Council.

- The National Council also has a mandate to establish general policies for the **President's Committee on Employment of People with Disabilities**. I am pleased to report that we have developed a Memorandum of Understanding with the President's Committee and that our staffs work closely together. In addition, we believe the appointment of Mr. Justin Dart, former member of the National Council, as Chairperson of the President's Committee will further strengthen the relationship which we have with this agency.

- In addition to the above mentioned activities the National Council participates in a variety of other interagency activities including the Interagency Committee on Handicapped Research; the Federal Agency Council; the Federal Task Force on Disability and the Interagency Committee on Developmental Disabilities. These collaborative efforts strengthen public policy and assure that Federal agencies work together for the common good of persons with disabilities.

- Finally, we continue to publish our quarterly publication, Focus, which updates our readers on activities of the National Council and solicits input regarding policy development. We are pleased that this publication is now mailed to approximately 15,000 readers each quarter.

PLANNED ACTIVITIES FOR FY 90

Fiscal year 90 is already well under way and the National Council is working on several projects which we feel will make major contributions to the development of sound public policy for persons with disabilities. These projects include the following:

- Through the Departments of Labor, HHS, and Education Appropriations Act for FY 90, the National Council was allocated an additional $400,000 to continue to study the status of the education of students with disabilities. This study will build upon our report, The Education of Students with Disabilities: Where Do We Stand?, and will attempt to explore some of the problems raised in this report. Just a few of the findings cited in the report which the National Council feels should be investigated further are as follows: services are often not available to meet the needs of the disadvantaged, minority and rural families who have children with disabilities; some parents have difficulty finding appropriate services for their children; there is a perception that due process hearings are biased in favor of the schools; and upon leaving school students with disabilities and their families often have a difficult time accessing appropriate adult services and/or postsecondary education and training programs. I must add that while the National Council is pleased with this additional funding to explore the education of students with disabilities, we continue to believe that a separate, independent commission, under the direction of the National Council, is warranted and long overdue. Only when we are able to have an in-depth and impartial assessment of the implementation of P.L. 94-142, the "Education for All Handicapped Children Act",will the Congress --and the nation-- have a clear understanding of the educational needs of students with disabilities and their families.

- P.L. 100-407 the "Technology-Related Assistance For Persons with Disabilities Act of 1988" authorizes the National Council to conduct a major study on the financing of assistive technology services and devices for individuals with disabilities. Through Title II of the Act, the National Council will receive $250,000 this fiscal year to conduct this study. We are enthusiastic about this study because we recognize that assistive technology can often provide unlimited opportunities for children and adults with disabilities.

- Health insurance is a major concern to persons with disabilities and their families. Often these families are unable to insure their disabled family member due to a "pre-existing condition" clause which, in effect, says that persons with disabilities cannot be insured. This problem is further compounded by the fact that many disabling conditions require specialized medical care-- care which can mean the difference between a life of dependency and pain or a life of independence and productivity. To address this matter, the National Council is conducting a preliminary study on health insurance and we are confident that this study will stimulate thoughtful policy discussion on an issue which touches virtually every American with a disability.

- Another matter which the National Council has been concerned about for some time is the need to provide Personal Assistance Services (PAS) to persons with disabilities. Providing PAS will mean different things for different individuals. For example, a quadriplegic who is injured as a result of a car accident is still able to work but must have personal assistance in order to get ready for work and fulfill activities of daily living. On the other hand, a mentally retarded adult living independently may merely need someone to assist him/her in structuring a weekly budget or planning leisure activities. The National Council will hold hearings on PAS this summer and hear from a variety of disability groups about their personal assistance needs. We are hopeful that these hearings will lead to policy recommendations which will assure that persons with disabilities and their families receive these critical services.

- The National Council is continuing to work with CDC on our mutual efforts to prevent primary and secondary disabilities. We plan to co-sponsor, along with CDC, two working sessions: one on the prevention of secondary disabilities in persons who are spinal cord injured and another on secondary disabilities in individuals with cerebral palsy. Secondary disability -- that is those disabilities which occur as a result of an individual's primary disability -- is a major concern to the National Council. Many individuals with disabilities are experiencing greater difficulty in living and working independent, due to the acquisition of a secondary disability. We are confident that the information gleaned from these two conferences will ultimately improve the quality of life for persons with disabilities.

- In keeping with our policy of continuing to solicit input from persons with disabilities and their families, the National Council will hold public hearings on the following topics during the current fiscal year: the Special Problems Facing Persons with Disabilities and their Families Living on Islands Away from Mainland U.S.A.; the Special Needs of At-Risk Babies (Border Babies); Wilderness and Park Accessibility for Persons with Disabilities; and Disabilities which result from Injuries on Farms and Ranches in Rural America. I should point out that the forum on the accessibility of wilderness areas is pertinent, due to an amendment included in the Americans with Disabilities Act on the Senate floor which calls for the National Council to do a study in this area.

- The National Council has long been concerned about the needs of Native Americans with disabilities. From the research which we have done thus far we have discovered that these persons have many unique needs which often have not been addressed for far too long. To assist in the development of public policy which will assist these Americans, the National Council, in conjunction with the Indian Health Service, will conduct a study on Native Americans with disabilities.

- The National Council plans to focus its special report for 1990 on the civil rights of individuals with disabilities. This report will trace the history of our development of the Act and explain the over-arching need for such a law.

PROJECTED ACTIVITIES FOR FY 91

As I mentioned earlier in my statement, the National Council is requesting $1.2 million for FY 91. At this time, I would like to briefly describe our projected activities for the upcoming fiscal year.

- The National Council will continue it's initiatives in such areas as prevention, health insurance, personal assistance services, civil rights for persons with disabilities, employment and education.

- The National Council, in conjunction with the Centers for Disease Control and the Indian Health Service, is considering holding a national conference on the unique needs of Native Americans with disabilities.

- In addition to our mandated quarterly meetings, the National Council is planning to hold public forums on such issues as: technological aides and devices of persons with disabilities, prevention of primary and secondary disabilities, individuals with AIDS and the service delivery system and education and employment issues.

- The National Council on Disability will continue to fulfill its statutory requirements to establish general policies for the National Institute of Disability and Rehabilitation Research (NIDRR) and the President's Committee on Employment of People with Disabilities.

- To assure coordination of programs and services affecting persons with disabilities, the National Council will continue and expand its involvement in a variety of interagency groups such as the Interagency Committee on Handicapped Research, the Federal Agency Council, the Federal Task Force on Disabled Persons and similar coordinating bodies.

In addition to our own appropriations request, we would like to recommend an increase in funding for the Centers for Disease Control's Disabilities Prevention Program. As you know, the National Council has maintained continuing interest in this program over the last several years. We firmly believe that the prevention of both primary and secondary disabilities is of paramount importance. Moreover, this program has already gleaned a wealth of information which will surely give us insight into the many complex problems facing individuals with disabilities. During the current fiscal year, this program received $4.433 million which allowed CDC to fund nine state prevention programs as well as four demonstration programs concerning secondary disabilities. We are requesting that this program receive $10 million for FY 91. This will allow CDC to fund ten additional state prevention programs plus an additional five demonstration projects.

We are proud of the contributions which our agency has made over the years. Through hard work and deliberation, the National Council has helped shape disability policy in such areas as education, health, prevention, social, employment and research which will take us well into the 1990's and beyond. We, the members of the National Council, are prepared for the challenges and complex problems which most certainly lie ahead. We are prepared to work with the Congress and the President to continue to establish public policy which will enable persons with disabilities to live and work independently and productively.

Thank you for this opportunity to testify before the Committee. I would be pleased to answer any questions you may have.

AIRLINE REGULATIONS

Mr. NATCHER. Thank you, Ms. Briggs. Now, the Department of Transportation recently issued guidelines which ordered airlines to provide greater access to the disabled. The airlines say the new rules will compromise passenger safety. What can you tell us about the Council's involvement in developing these guidelines and what impact on passenger safety do you expect them to have?

Ms. BRIGGS. Right now we have copies of the guidelines and the regulations, and we are currently reviewing them, as you may know it is a very lengthy document that was put out by the Department of Transportation. So we are currently reviewing those guidelines and will be happy to submit for the record the Council's analysis of those guidelines.

[The information follows:]

Ms. BRIGGS. The regulations recently issued by the Department of Transportation (DOT) implement the Air Carrier Access Act of 1986 (ACAA). This law was enacted in response to the overwhelming difficulties which persons with disabilities have experienced in attempting to travel via air. After the ACAA was enacted, the DOT organized a regulatory negotiation team comprised of representatives from a variety of disability groups as well as representation from the airline industry. The National Council observed these meetings closely and participated in the substantive discussions of this team. While the regulatory negotiations of this team were not completed, the group did reach agreement on several issues. The National Council became concerned when, in 1989, no regulations had been issued by the DOT. In mid-November, the National Council wrote to Secretary Skinner urging him to publish regulations on the ACAA as soon as possible. The final regulations which were published in the Federal Register on March 6th attempted to implement the provisions of the ACAA. In our view, it is important to see how the provisions of these new regulations are implemented before we evaluate the impact on either the airline industry or the disability community. Finally, it is paramount that the Committee recognize that persons with disabilities have encountered numerous difficulties in air travel. Sometimes, essential equipment, such as wheelchairs, have been damaged beyond repair. Or an individual with a disability has been refused access to an air flight because an employee of the airline perceived that individual as not being capable of travel. Thus, any objections raised by the airline industry must be weighed against the provisions of the Air Carrier Access Act which allows persons with disabilities to travel like all other Americans.

EMPLOYMENT

Mr. NATCHER. When Secretary Dole appeared before our subcommittee, she told us that the size of our labor force will not keep pace with the expanding economy. She says that we will be faced with labor shortages. How many disabled Americans want to work, but are unemployed and what are the obstacles that prevent them from working?

Ms. BRIGGS. Basically, we feel that there are approximately 43,000,000 persons who have some type of disability. Out of that 43 million we estimate there are approximately between 26 and 30 million who are able to enter the labor force.

Of that, according to the Louis-Harris survey, two-thirds are not working, and of the two thirds that are not working, 75 percent say they would work if the opportunity was available.

In trying to prepare for the upcoming labor shortages, the council is planning in November of this year to have a forum on employment to look at some of the employment issues and to see what we can do in terms of preparing more persons with disabilities for the world of work.

In addition, we believe that for people with disabilities, some of the barriers would include not having personal assistance services which I mentioned in our testimony that we, too, are looking at the whole

issue of disincentives to employment presented by the number of persons who are recipients of SSI and SSDI. So those are some issues that we are looking at in terms of trying to return a greater number of persons with disabilities to the world of work.

EDUCATION STUDY

Mr. NATCHER. The 1990 appropriations provided, as you know, $400,000 to fund a study that would assess the status of the education of students with disabilities. Has the contract been awarded?

Ms. BRIGGS. We are in the process of developing a scope of work for that contract. The contract has not been awarded to date.

Mr. NATCHER. When will the committee see a report and recommendations from the study? Any idea?

Ms. BRIGGS. We hope to have the contract have the scope of work completed and the contract awarded within this fiscal year. Hopefully one year from the date of the awarding of the contract, the study will be completed sometimes in 1991.

Mr. NATCHER. Will the report complete the work originally envisioned by the Council?

Ms. BRIGGS. Because the funds are limited in terms of the $400,000, we will not be able to conduct a comprehensive study of special education that we had hoped in terms of a study similar to a nation at risk. So we will be just looking at another piece of entire educational system.

We hope to continue this study if additional funding is made available.

OVERSIGHT RESPONSIBILITY

Mr. NATCHER. In the past we have heard about problems between the Council and the agencies for which it has oversight responsibility. How would you characterize the current level of cooperation?

Ms. BRIGGS. I would say the level of cooperation between the agencies that the National Council has oversight responsibility for has improved tremendously.

For example, with the National Institute on Disability and Rehabilitation Research, we are in the process of meeting with the new director who just came on board a few weeks ago. A staff person was assigned to us from the acting executive director. We are looking at developing a memorandum of understanding between NIDRR and the National Council. With the President's Committee on Employment of People with Disabilities, we have a cooperative working relationship. We have already developed a memorandum of understanding which details what our responsibilities are and what their responsibilities are to us.

Mr. NATCHER. When we adjourn this afternoon, we will adjourn until 2 o'clock Monday. Now, Mr. Conte, I yield to you.

Mr. CONTE. Mr. Chairman, I will be very brief.

Mr. NATCHER. You go right ahead.

PREVENTION

Mr. CONTE. Ms. Briggs, I welcome you before our committee today. I am sorry to hear that Sandy Parrino couldn't make it. As

you know, I am the lead co-sponsor of the Disability Prevention Act of 1990.

Ms. BRIGGS. Yes. The National Council appreciates your support.

Mr. CONTE. We both testified before Mr. Waxman's committee two weeks ago. Your work at the council is vital to educating the public about what can be done to reduce primary, secondary disability, and we will see to it that your good projects will continue.

Ms. BRIGGS. Thank you.

Mr. CONTE. As you know, the disabilities prevention bill authorizes $10,000,000 for fiscal year 1991. It will expand additional state programs and demonstration projects. Do you think there is a need to expand the program to cover all 50 states?

Ms. BRIGGS. Just having come back from reviewing the projects that are currently ongoing in two states from the funds that were given to CDC in 1988, I would say, yes. I think that we need to look at eventually having an Office of Prevention or some type of prevention project in each of the states.

Mr. CONTE. What research and demonstration opportunity do you think would be needed in the future in addressing prevention?

Ms. BRIGGS. I think we can use the states that are currently funded as models for the other states that don't now have existing projects on prevention. I think we are getting good data in terms of the prevalence and incidence of disabilities, the prevention of those disabilities and the impact that the projects have had on those states that currently are funded.

EMPLOYMENT

Mr. CONTE. Okay. For the record, can we improve employment opportunities for the disabled?

[The information follows:]

Yes, and there are numerous ways to accomplish this goal. First, the National Council firmly believes that with the passage of the Americans with Disabilities Act, many more employment opportunities will become available to persons with disabilities. Further, the National Council is sponsoring a "futuristic" forum on employment in New York this May which will look at the workplace in the year 2000 and the potential it holds for workers with disabilities. This forum, which is cosponsored by the New York Business Group on Health and the Washington Business Group on Health, will bring together business persons, rehabilitation professionals and persons with disabilities to discuss trends in the workforce in the 1990s and beyond; and how disabled persons can assume meaningful roles in that workforce.

In addition, the National Council continues to work with the President's Committee on Employment of People with Disabilities to enhance employment policy for persons with disabilities. Finally, several relatively new programs, such as the Supported Work Program (funded through the Rehabilitation Act of 1973 (as amended) show great promise of employing individuals who many thought could not be employed only a few years ago. While much more work remains to be done, we firmly believe that employment opportunities for persons with disabilities will continue to expand over the next several years.

Mr. CONTE. Could you explain to the committee what a primary, secondary disability is and can you give us some examples of a secondary disability, and what strategies would you use to prevent secondary disabilities, get those for the record.

[The information follows:]

Ms. BRIGGS. Disability is a "long-term or chronic condition medically defined as a physiological, anatomical, mental, or emotional impairment resulting from disease or illness, inherited or congenital defect, trauma, or other insult (including environmental) to mind or body. (Wright, G. Total Rehabilitation, Little Brown, Boston, MA, 1980).

Disability should be perceived on a continuum from slight to severe, fluctuating by degree of severity throughout life. Many health providers who work with persons with disabilities view their patient's disability as a static entity. They behave as if the person acquires only one disability, and it is their quota for a life time. Since the disability is perceived to be static, treatment is often directed to as much recovery of the former self as possible for the foreseeable future. For example, an individual with a laryngectomy is treated to restore voice, speech, smell, taste and other behaviors as much as possible. After a period of treatment (approximately one year or less in duration), the patient is released as if the result will be as static as the disabling condition. Thoughts about further deterioration of the patient's health and the possibility of additional disabling conditions due to injuries or illness, should occur to members of the treatment teams. Health is a dynamic, ever changing condition that should be assessed in terms of how well individuals live with full use of their available skills or abilities at any point in time (Insel, P., Roth, W., Core Concepts in Health. Mayfield, Palo Alto, CA, 1982).

Disability, therefore, should be perceived as a condition undergoing change at all times, from the moment of its acquisition.

Disabilities are continuously affected by a myriad of factors which may result in change for the worse. These factors include the aging process, traumatic injuries, debilitating illnesses, burns, deleterious life-style behaviors, and stress. Any of these or a combination of these factors could readily result in a greater deterioration of the health status of the person with disability. Even after an apparently successful rehabilitation process when the person with disability may realize some measure of reduction of the effects of the primary disability, in time the disability may become more debilitating and progressively devastating. (Marge, M., Health Promotion for Persons with Disabilities: Moving Beyond Rehabilitation, American Journal of Health Promotion, Summer 1988).

Primary and Secondary Disabilities

The difference between primary and secondary disabilities is determined by the point in time when the disability was acquired. The disabling condition which was first acquired is identified as the primary disability. Additional disabilities which are directly

or indirectly the result of a primary disability or develop separately from the primary disability are known as secondary disabilities. The magnitude or severity of debilitation of the acquired disability is not a factor in the determination of primary and secondary disability. For example, an individual with a primary disability of cerebral palsy may learn to function quite effectively but becomes severely debilitated by a secondary disability, resulting from a stroke which leaves the person hemiplegic and aphasic. In this example, the secondary disability may be more devastating than the primary disability.

The most significant secondary disabilities normally encountered by health services specialists managing programs for individuals with primary disabilities are:

1. Pressure sores
2. Genitourinary tracts disorders
3. Cardiovascular disorders
4. Stroke
5. Musculoskeletal problems
6. Closed and open head injuries
7. Arthritis
8. Spinal cord injuries
9. Respiratory problems
10. Speech and language problems
11. Hearing loss
12. Vision problems
13. Emotional disorders (especially depression)
14. Skin disorders

The Committee on Trauma Research reported that 35 to 40 percent of persons with spinal cord injuries acquire pressure sores. Also, musculoskeletal problems are among the common injuries and the predominant cause of loss of work and eligibility for social security and unemployment compensation.

Strategies to Prevent Secondary Disabilities.

Not all conditions are preventable, but the risk for acquiring a disability may be substantially reduced in many instances. The reduction of risk decreases the odds that an individual may acquire a secondary disability even though he or she possesses a primary disability. A disability is designated "preventable" if its probability of acquisition may be substantially reduced. An analysis by Marge (1988) suggest that almost all causes of major secondary disabilities for which a person who is disabled is at risk, are preventable. For example, it has been found that the "accident repeater" is predisposed to repeated injury because of stress. A person with a susceptible personality will have a tendency for accident repetition due to a breakdown in adjustment to a stressful environment.

There are a number of objectives which should be considered in developing a program for prevention of secondary disabilities in persons who are disabled. These are:

1. Teach the person with a disability to become personally responsible for a large portion of his or her health status.

2. Teach the disabled person to become co-manager of his or her own rehabilitation program. This means that the person with a disability must adopt a life-style which includes the following behaviors:

a. having nutritional awareness
b. maintaining physical fitness
c. practicing sound stress management
d. practicing injury prevention on the road, the recreational field, and at home
e. avoiding toxic substances, excessive noise exposure, and other pollutants in the living environment, and
f. maintaining a regular, scheduled health surveillance to monitor health status

Beyond the general principles of nutritional awareness, the person with disabilities should have a more detailed understanding of drug-food interactions and how drugs may affect nutritional balance.

A number of studies have shown significant improvement in physical fitness and life-style behaviors among persons with disabilities through specific training programs. Through the recent efforts of specialists in physical therapy, occupational therapy, nutrition, adaptive physical education, adult fitness, recreation and cardiovascular rehabilitation, programs have been developed to meet special needs of persons with disabilities. As a result of these successes, the health promotion program should become an integral part of the rehabilitation process, beginning early in the primary treatment phase and continuing throughout life. As soon as a person acquires a disability and is admitted to a rehabilitation program, he or she should be taught and should practice under supervision specific topical units related to disease and injury prevention. There are five major topical units: physical fitness, stress management, nutritional awareness, environmental sensitivity (avoidance of hazards and risks), and self-responsibility for health.

These units should be integrated in the rehabilitation program so that they are offered each day for short periods of time and are part of the program for physical, occupational, speech, psychological and other prescribed therapies. The topics listed below should be taught:

a. General and specific factors related to good health
b. Problems which may arise as a result of neglect of good health practices
c. Developing physical and cardiovascular fitness: custom-fitting a program for each patient
d. Good nutritional practices: avoiding overweight and nutritional deficiencies
e. Elimination of any tobacco use
f. Elimination of any alcohol and drug misuse
g. Injury prevention: potential injuries at home, at work and in the recreational setting; The use of seat belts, safe driving habits, safety for wheelchair users, how to prevent falls, and fire prevention

h. Ways in which to avoid toxic and radiation contamination, noise pollution and other dangerous pollutants in the
i. How to manage stress
j. How to avoid pressure sores
k. How to prevent genitourinary tract disease

These units should be systematically evaluated to assure the greatest measure of understanding and acceptance by the patient.

After the release from the rehabilitation program, the patient should be monitored for a three to five year period to assure maintenance of the prevention effort. The monitoring program requires that the patient return for assessment and review every three months. In addition, the patient should have continuous access to the rehabilitation agency or program (through an 800 number) whenever specific questions arise about the prevention effort. The intention of this health promotion program is to provide the greatest measure of wellness for disabled persons during the aging process which increases risks for further disability.

Mr. CONTE. What is the role of the biomedical research in disabilities?

Ms. BRIGGS. Right now, we are looking at the different assistive technologies that will improve or will enhance the independence of persons with disabilities. I feel that biomedical research plays a very important role in looking at the whole area of disability.

[The information follows:]

RESEARCH

Ms. BRIGGS. Biomedical research offers hope for progress in the treatment of medical problems associated with disabilities. Only biomedical research offers a cure for certain diseases or disabilities. Biomedical research may also lead to recovery of impaired functions such as mobility or hearing.

The center of publically funded biomedical research in the United States is, of course, the National Institutes of Health (NIH). When Congress passed a resolution last year declaring that the 1990's will be the decade of the brain, the National Institute Neurological Disorders (NINDS) within NIH appropriately took the lead in implementing the Resolution. The objectives of the resolution may include drawing public attention to and educating the public about neurological and brain disorders such as Alzheimers Disease, Parkinson's Disease, strokes, head and spinal cord injuries. The proposed legislation to establish a medical rehabilitation center within NIH is another indication of the Institutes' pre-eminent role in basic biomedical research related to disability. That role is clearly different from the role the National Institute of Disability and Rehabilitation Research (NIDRR) plays as the lead agency in applied research related to individuals with disabilities. NIDRR would, for example, research and demonstrate a comprehensive service delivery system for spinal cord injury. Persons born with cleft palates are now at considerably reduced risk vidual.

Mr. CONTE. Okay. Can you give us an example of how research has contributed to the prevention or treatment of disabilities? You can put that in the record.

[The information follows:]

Ms. BRIGGS. The question has two parts. How has research contributed to the treatment of disabilities and how has research contributed to the prevention of disabilities.

Research has made substantial and major contributions to the treatment of disability. There are a myraid of examples to support this claim. As an example, let us examine the contributions of research in the improved treatment of persons with spinal cord injuries. It was through research that wheelchairs have been designed to provide the user with considerable movement and flexibility. With the use of new construction materials and design, the hand-powered and battery-powered wheelchairs have become a means for greater independence for the persons with a spinal courd injury. Persons born with clefts palates are now at considerably reduced risk for facial disfigurement and speech and hearing problems because of research at many centers throughout the United States, especially the University of Iowa and University of North Carolina at Chapel Hill. Surgery to close the oral cleft before 2 years of age and to provide microsurgery on the face in specific stages has resulted in greatly improved outcomes in comparison to what persons with cleft palates experienced before the 1950s. Another example of the contribution of research to treatment of disabilities are the advances in the treatment of hearing problems. Research in the use of cochlear implants for persons who were classified as profoundly deaf have opened a whole new dimension to treating persons with deafness.

The contributions of research to the prevention of disabilities are most significant. The development of special wheelchair cushions have had a decided impact on reducing the risk for pressure sores in long-term wheelchair users. The development and use of ear defenders (either earmuffs or ear insertions) for persons exposed to noise on the job have considerably reduced the number of persons with noise-induced hearing losses. The Occupational Safety and Health Administration has reported that almost all noise-induced hearing losses can be prevented if workers habitually use the ear defenders in the presence of hazardous noise. With a reported 28 million Americans with hearing impairment and with 60% of the impairment

caused by noise, it is estimated that 16.5 million persons could have been spared a hearing impairment had they used prescribed precautions in noisy environments. Another example of research contributing to the prevention of disabilities is the application of screening tests for phenylketonuria (PKU) and lead poisoning, two major causes of mental retardation in children. Thanks to the research of scientists, such as Robert Guthrie, M.D. and others, we can screen for PKU and lead poisoning before the toxins damage the central nervous system and take intervention methods to prevent further difficult.

Through the Prevention of Disabilities Program at the Centers for Disease Control, there are four projects which are directed to the prevention of secondary disabilities. One is concerned with the prevention of post-polio syndrome; another is examining ways to better prevent genitourinary tract disease; another is studying ways to prevent pressure sores in persons who are confined to wheelchairs; and the fourth is examining ways to prevent secondary disabilities in persons who are disabled in rural sections of the United States. It is through this type of directed activity that we will realize tremendous gains in the prevention and treatment of primary and secondary disabilities.

Mr. CONTE. Education of the public is a component to improving services for people with disabilities. What public awareness efforts are you undertaking? Are these efforts effective and how do you evaluate how effective your efforts are? You can put those in the record.

[The information follows:]

PUBLIC AWARENESS

Ms. BRIGGS. As you are aware, the National Council is charged with developing public policy for persons with disabilities and their families. Yet, we are keenly aware that public policy cannot be developed in a vacuum. Moreover, in our public forums we have been struck by the fact that many persons with disabilities and their families are not aware of their rights and the services to which they are entitled. To fill this void the National Council sponsored a national conference for persons with disabilities and their families in August, 1989, entitled Disability: A Family Affair. This meeting enabled conference participants to attend a variety of workshops on numerous issues such as civil rights, education, and independent living. The participants found the conference helpful and informative. We would like to see activities similar to this continued in the future. We also feel that we contribute to public awareness through the development and dissemination of our special reports such as THE EDUCATION OF CHILDREN WITH DISABILITIES: WHERE DO WE STAND? The effects of these reports are not quantifiable, however, they surely enable persons to have input into the political process and also spark debate about issues which need to be addressed in the disability community.

The National Council holds public forums in conjunction with the quarterly meetings which also serve as public awareness activities. In addition, our newsletter, FOCUS, is a public awareness tool.

Mr. CONTE. What special problems do minorities have with disabilities? What do they face? What is the big problem? Put that in the record.

[The information follows:]

MINORITIES WITH DISABILITIES

Ms. BRIGGS. Minorities with disabilities in some instances are faced with double discrimination; they are confronted with discrimination on the basis of race as well as disability. Disability is more common among minorities than among whites. Minorities with disabilities are less educated, the unemployment rate is greater and most are living below the poverty level.

Mr. CONTE. What work has to be done to help minority individuals with disabilities, and put that in the record.

[The information follows:]

MS. BRIGGS. In my opinion, a public awareness campaign targeted for minorities with disabilities must be developed and implemented. Recently, the National Council cosponsored conferences on employment of minorities with disabilities with the President's Committee on Employment of People with Disabilities and Howard University in an effort to address the high unemployment rate among minorities with disabilities. We are planning to conduct a study that will focus on the special needs of Native Americans with disabilities. The over-representation of minorities with disabilities in special education was pointed out in the National Council's recent report on the education of students with disabilities. We hope to give this issue greater focus in our upcoming education study.

Mr. CONTE. What problems do people with disabilities face with the current social security laws, and what should be done about the current system to make it more fair to the disabled? Put that in the record.

[The information follows:]

SOCIAL SECURITY ADMINISTRATION

MS. BRIGGS. The National Council has held forums and received many consumer inquiries about issues related to Social Security income maintenance, disability insurance, Medicaid and Medicare. Some of the issues are related to children. A problem which has been resolved by a Supreme Court decision involved standards used to determine whether or not a child is disabled. The Social Security Administration (SSA) has relied for a determination on whether or not a child has a certain condition or impairment which corresponds to those on their list. Now SSA must perform functional tests. Many other issues remain unresolved and will require legislative or administrative action. For example, pediatricians or pediatric specialists are not routinely involved in evaluations which lead to a determination of the disability status of a child. The severity or even the existence of certain disabilities are difficult to diagnose in infancy and early childhood, the very time when interventions may be most effective. The Secretary of Health and Human Services may wish to consider developing a category of presumptive eligibility to address this problem so that the child will receive Supplemental Security Income (SSI) benefits to cover intervention option.

Disabled adults also have many social security issues. The Social Security Disability Insurance (SSDI) work incentives, unlike the SSI work incentives, does not provide for gradual reduction in program benefits. While SSI may reduce SSI income by a formula whereby as salary increases, SSI decreases, SSDI income benefits stop when the Substantial Gainful Activity (SGA) level is met and the trial work period has ended. Still another issue involves long-term planning for disabled sibilings, disabled sons and daughters and elderly parents. Family members, while planning for their eventual death also want to include a plan to care for the disabled family member without jeopardizing that persons' SSI benefits. Since the law does not adequately address the problem, the family is subject to the unpredictability of regulations and policies which are open to interpretation. This problem may require a legislative response so that people have something to rely on other than current interpretation. Disabled people currently are casualties of inflation; SSI and SSDI are not indexed. Further disabled people who are not competent to handle their benefit checks are dependent on a "representative payee", and therefore vulnerable, if that payee mishandles the check. SSA may wish to set up a more careful monitoring and recordkeeping system which can, for example, indentify prior offenders. Disabled persons may also be particularly vulnerable to problems related to using SSA 800 numbers for reasons of inability to communicate or unwillingness to discuss personal matters in a very impersonal mode.

Disabled people want to be integrated into the mainstream of life, to experience independent living in community settings. Medicaid and Medicare emphasize acute care and primary care. Often these programs do not cover the expenses that would make these objectives possible. Disabled people need homecare, long term care, assistive devices, personal care, routine medical care and environmental adaptations. There has been considerable discussion about whether independent living and long

term care should be financed within current programs or by a separate program established. The Council is studying these issues.

Mr. CONTE. Now, your group is out front and leading the way in helping people with disabilities achieving independence in their daily and their professional lives. What new efforts are being made in achieving independence with the disabled, and tell us what obstacles remain and what can be done to eliminate them.

You can put that in the record.

[The information follows:]

ACHIEVING INDEPENDENCE

Ms. BRIGGS. Like other movements before, the progress of the disability movement is often slow and halting. It is often difficult to pinpoint a single effort or program which has enabled individuals with disabilities to live more independent lives. Certainly the National Council is very excited about the Assistance Technology Devices and Services Act because it has the potential to transform the lives of many persons with disabilities from one of dependence to independence and productivity. Clearly, as assistive technology and services are developed, they will undoubtedly allow many persons—especially those with severe disabilities—to interact with the world around them.

Another very important accomplishment which will contribute to the independence of persons with disabilities is the enactment of the Americans with Disabilities Act. The National Council is delighted that three Committees of the House of Representatives have reported the bill out and we are hopeful that the bill can soon be sent to the White House for the President's signature.

Yet, while the last several years have seen progress for Americans with disabilities, many other policy issues must still be addressed. The provision of Personal Assistance Services, which the National Council has previously addressed, is critical if persons with disabilities are to be able to live and work in the community. While much progress has been made in the education of students with disabilities, much more remains to be done as illustrated in our report, THE EDUCATION OF STUDENTS WITH DISABILITIES: WHERE DO WE STAND? Finally, the dire need of persons with disabilities to receive adequate health insurance which will meet their needs is an overwhelming problem which will require thoughtful policy consideration. In short, while the disability movement has come a long way in the last decade, far more work remains to be done. We must prepare our society so that the next generation of citizens with disabilities can fully grasp the American dream.

Mr. CONTE. Tell us more about your involvement with other federal agencies dealing with disabilities and how are your relations coordinated. Do you make joint recommendations on policy? You can put that in the record.

[The information follows:]

COORDINATION

Ms. BRIGGS. The National Council has worked with several federal agencies dealing with disabilities, which includes, the President's Committee on Employment of People with Disabilities, the Office of Special Education and Rehabilitative Services, the Rehabilitation Services Administration, the National Institute on Disability and Rehabilitation Research, the Office of Disease Prevention and Health Promotion, Department of Health and Human Services (DHHS), the Social Security Administration, the Centers for Disease Control and the Indian Health Service.

In some instances, the National Council has developed joint policy recommendations for example, the National Council has developed joint disability prevention policies with the Centers for Disease Control. The National Council and the President's Committee plan to develop a national policy statement on the employment of persons with disabilities. In addition, the National Council developed with the Office of Disease Prevention and Health Promotion, DHHS, objectives related to the prevention of primary and secondary disabilities for THE YEAR 2000 HEALTH OBJECTIVES FOR THE NATION. The National Council and the Indian Health Services are planning to conduct a project on Native Americans with disabilities which will result in joint policy recommendations.

In addition, the National Council is planning to cosponsor a national conference on prevention with the Centers for Disease Control, and a national conference on the unique needs of Native Americans with disabilities with the Indian Health Services and the Centers for Disease Control.

Mr. CONTE. It is good to see you again. Have a good day.

Ms. BRIGGS. Okay. Thank you.

[Questions and answers for the record and the justifications follow:]

ESTABLISHING PRIORITIES

Mr. NATCHER. The Council has a broad legislative mandate. Given your limited resources, what process do you have in place to establish priorities among these many areas?

Ms. BRIGGS. The National Council tend to focus on the ten priority areas included in the special report entitled, TOWARD INDEPENDENCE, submitted to the Congress and the President in 1986. The National Council holds planning sessions each year to discuss and determine the priorities of the National Council for the next fiscal year. The National Council's annual workplan is then developed based upon these priorities. In 1990, the National Council is planning to develop one and three year plans.

THE AMERICANS WITH DISABILITIES ACT

Mr. NATCHER. What is the status of the Americans with Disabilities Act?

Ms. BRIGGS. As you know, the National Council drafted the original Americans with Disabilities Act (ADA). We are pleased that the ADA was passed by the Senate last September by a wide margin. Several Committees within the House of Representatives have considered the bill. In mid-November of last year, the House Education and Labor Committee reported the ADA out by a vote of 35 to 0 with only minor clarifications. On March 17th of this year, the House Energy and Commerce Committee reported the ADA out by a vote of 40 to 3. The House Public Works and Transportation Committee reported the ADA out by a vote of 45 to 5 on April 3rd. The National Council is delighted with the progress the House has made on the bill thus far and we are hopeful that the ADA can soon be passed by the Congress and sent to the White House for the President's signature.

Mr. NATCHER. Assuming the passage of the bill, will the Council have any responsibility for monitoring the compliance provisions of the Act?

Ms. BRIGGS. The National Council on Disability drafted the original Americans with Disabilities Act and we are very eager to see this legislation succeed. The version of ADA ,S-933, as passed by the Senate last fall provides for the Department of Justice, along with other Federal agencies, to develop a plan for the implementation of the ADA and to assist covered entities in understanding their responsibilities under the new law. We are pleased that the National Council was one of the Federal agencies included in this Section of the bill and we look forward to working with other agencies in the implementation of the ADA.

ADVISORY BOARDS

Mr. NATCHER. Do Council members or employees of the Council serve on Advisory Boards within the Office of Special Education and Rehabilitative Services?

Ms. Briggs. Members and staff are invited to serve on various task forces and boards of the Office of Special Education and

Rehabilitative Services. In addition, the National Council is represented on the Interagency Committee on Supported Employment, the Interagency Committee on Developmental Disabilities and the Interagency Committee on Disability Research.

FAMILY CONFERENCE

Mr. NATCHER. The Council held the first national conference for persons with disabilities and their families in 1989. What sort of and product did the conference produce? How will results be disseminated?

Ms. BRIGGS. The National Council published proceedings of this conference which will be sent to all of the conference participants and to the individuals on the National Council's mailing list. In addition, copies will be sent to individuals upon request. All of the sessions were taped and are available on cassettes.

STAFF POSITIONS

Mr. NATCHER. How many of your 8 staff positions are vacant, and how long have they been vacant?

Ms. Briggs. Currently, the following three staff positions are vacant: executive director, public affairs specialist and administrative officer. The executive director position has been vacant for seven months, public affairs specialist for seventeen months and the administrative officer for three months. The National Council is in the process of filling all of these positions.

MEMBERS OF THE NATIONAL COUNCIL

Mr. NATCHER. How many vacancies currently exist on the 15 member Council?

Ms. BRIGGS. At the present time, there are three vacancies on the National Council on Disability. The President recently appointed two new members and reappointed two members who now must be confirmed by the Senate.

Mr. NATCHER. Does the Council's current membership meet the legal requirement of including individuals with handicaps?

Ms. BRIGGS. Yes. Currently, five members of the National Council are individuals with disabilities.

COMMITTEES OF THE NATIONAL COUNCIL

Mr. NATCHER. How many standing and ad hoc subcommittees does the Council have?

Ms. BRIGGS. The National Council has four standing committees and eight ad hoc committees. Standing committees are based upon initiatives that are related to the National Council's operational activities or mandate, such as research, we have a standing research committee. Ad hoc committees are established based upon the initiatives that the National Council has selected as

priorities. For example, the National Council has an initiative on personal assistance services, and thus has a committee on personal assistance services.

TRAVEL

Mr. NATCHER. Why does the Council's request for travel increase 19% between 1990 and 1991?

Ms. BRIGGS. The increase in travel between fiscal year 1990 and 1991 accounts for inflation in travel costs and the expectation that the National Council will have its full membership of fifteen and all of the staff position filled. During 1990, travel reflects the shortage of three members of the National Council and two staff positions, including the executive director. Additionally, travel costs include the travel of attendants for both members and staff who are severely disabled.

Mr. NATCHER. Are subcommittee meetings scheduled in tandem with Council meetings in order to maximize travel funds?

Ms. BRIGGS. Yes, committee meetings are always held in conjunction with the quarterly meetings of the National Council in order to maximize travel funds.

NATIONAL COUNCIL NEWSLETTER

Mr. NATCHER. What is the production cost of your newsletter and are any of the costs recovered through subscription fees?

Ms. BRIGGS. The average costs is approximately sixteen thousand dollars for the producing the newsletter four times per year. This amount includes layout, typesetting, editing and printing costs. The National Council as a federal agency does not charge a subscription fee for the newsletter. The National Council uses the newsletter as a mechanism to communicate to the disability community as well as to the general public the activities and initiatives of the National Council.

OTHER SERVICES

Mr. NATCHER. Your expenditures in the "other services" category fluctuate significantly from year to year, even allowing for the special study on education furded in 1990. What accounts for this variation?

Ms. BRIGGS. Other services include such categories as research contracts, the General Services Administration support services contract, readers, interpreters, attendants, meeting support, training and miscellaneous. During fiscal year 1989, the National Council's major emphasis was on conducting the preliminary study on special education, only thirty-three thousand dollars was spent on other research activities. After completing the initial study and in addition to education, the National Council plans to focus on other areas such as personal assistance services, employment, reauthorization of the Rehabilitation Act, technology, health insurance, prevention, Native Americans with disabilities and at-risk infants in fiscal years 1990 and 1991. The other increase

is associated with inflation and the increase in the costs of meeting space and support services.

Questions for the Record:

NATIONAL COUNCIL MEETINGS

Mr. NATCHER. The National Council is required to hold four Council meetings a year, two in Washington, D.C. and two outside of Washington. Please provide a list of the sites of the non-Washington Council meetings for the last five years. Include the sites proposed for 1991.

Ms. BRIGGS. It has been the tradition of the National Council to hold two of its four meetings in Washington DC and the other two outside of the Washington, D.C. area. The National Council usually sponsors a public forum on a disability related issue in conjunction with its quarterly meeting. For example, when the National Council met in Miami, Florida, the National Council sponsored forums entitled: "The Concerns of Political and Economic Refugees with Disabilities;" "Problems Faced By Elderly People with Disabilities;" and "Harris Poll II on Employment." The forums allow the National Council an opportunity to receive input from persons with disabilities, family members, service providers and other interested individuals. The sites for the non-Washington National Council meetings for the last five years and projected sites for fiscal year 1991 are listed below.

FY 1985
San Francisco, California

FY 1986
Providence, Rhode Island

FY 1987
Miami, Florida
Denver, Colorado

FY 1988
Grand Rapids, Michigan

FY 1989
San Francisco, California
San Diego, California

FY 1990
Austin, Texas
Honolulu, Hawaii
New York, New York

Proposed FY 1991
Atlanta, Georgia
Phoenix, Arizona

FELLOWSHIP PROGRAM

Mr. NATCHER. Under what authority does the Council operate a Fellowship program?

Ms. BRIGGS. The National Council is allowed by statue to enter into contracts with private firms, institutions and individuals. The National Council operated its Fellowship Program through a contract with a private agency. The National Council believes that the Fellows Program serves as a cost-effective means of securing specific professional assistance for certain ad-hoc work of the National Council.

EXECUTIVE DIRECTORS

Mr. NATCHER. How many Executive Directors has the Council had since its establishment as an independent agency and what is their average tenure?

Ms. BRIGGS. The National Council on Disability has had only two Executive Directors since its establishment has an independent agency.

Imediately following the National Council's independence, John Doyle acted in the position and assisted the National Council in setting up its office and the hiring of staff. Lex Frieden served as the first Executive Director and he was with the National Council for three years. Paul Hearne was the second Executive Director and served in this capacity for one year.

STAFF TURNOVER

Mr. NATCHER. Is staff turnover a particular problem at the Council?

Ms. BRIGGS. Staff turnover is not a particular problem for the National Council. We have staff who have been with the National Council since 1985.

PERSONAL ASSISTANCE

Mr. NATCHER. One of the ten issue areas identified in TOWARD INDEPENDENCE is the area of personal assistance. In your estimation, how many disabled individuals require personal assistance and what would it cost to adequately provide such services?

Ms. BRIGGS. While statistics on the need for personal assistance services are still emerging, a 1986 study done on Long Term Care placements reflect some very disturbing trends. For example, this study found that of the 1.38 million persons residing in nursing home, 9.6% are under 65. Many of these individuals are probably disabled and, with the needed personal assistance services, could live in their communities. This same study also found that of the 172,000 individuals in residential facilities (a separate classification from nursing homes) 26.9% are under 65.

Expenditures for personal assistance are equally difficult to project. A Social Security Bulletin issued in 1988 gives us some idea of how much the Federal Government is currently spending on persons in institutional setting, many of whom could be served in the community, given the appropriate personal assistance services. This Bulletin explains that Medicaid expenditures have grown from $2.5 billion in fiscal year 1970 to $26.6 billion in fiscal year 1987. Social Security explains further that Medicaid spending has become increasingly concentrated on long-term health care needs for the mentally retarded, disabled, and elderly with an average cost per person of $12,000 for those individuals residing in nursing homes. It's important to keep in mind that these figures reflect Medicaid expenditures only. Many other persons with

disabilities require personal assistance services but are not on the Medicaid roles.

The National Council plans to explore these and other issues at the hearings we will hold on this topic later in the summer. Taken together, these statistics, along with the anecdotal information which the National Council has gathered, reflects a need for a national policy on personal assistance services.

DONATIONS

Mr. NATCHER. The Council is authorized to accept voluntary and uncompensated services. In 1989 it received $12,000. Provide a five year history of the donations received and explain how the funds were expended.

Ms. BRIGGS. The National Council is allowed by statute to use up to ten percent of its total funding each fiscal year for official representation and receptions. However, the National Council does not request funds for this purpose. This is done in an effort to assist the Administration in conserving funds and reducing administrative expenses. Nonetheless, the National Council feels that it is important to provide frequent briefings to members of Congress, their staff members and to other government officials. In order to underwrite any costs associated with these activities, the Council seeks private contributions. Most of the funds contributed to the gift account, are contributions made by Council members for these purposes. However, in fiscal year 1989, contributions were received from individuals, companies, organizations and agencies for the family conference. Listed below is an outline of donations received by the National Council for the last five years.

FY 1985	$2,000
FY 1986	$5,000
FY 1987	$1,000
FY 1988	$1,000
FY 1989	$12,000

Mr. NATCHER. How does the Council incorporate gifts, donations, and volunteer service into their fiscal planning?

Ms. BRIGGS. The National Council uses volunteers and student intern to offset the costs of paying for additional support staff. Contributions and donations to date have been used to pay for activities such as receptions so that all of the funds of the National Council are spent totally on activities associated with the mission of the National Council. In addition, the National Council plans to seek funds from private sources in order to assist with the funding of initiatives such as a study of health insurance.

MEETING ATTENDANCE

Mr. NATCHER. What percent of Council members have attended each Council meeting in the last three years?

Ms. BRIGGS. During the past three years meetings of the

National Council have been well attended by the members. For the most part, 99 per cent of the members have participated in the meetings.

EDUCATION OF THE HANDICAPPED ACT

Mr. NATCHER. The projects funded under the Education of the Handicapped Act are up for reauthorization this year. Have the employees or Council members submitted policy recommendations to the Congress?

Ms. BRIGGS. Yes. In early March the National Council was pleased to submit written comments on the reauthorization of the Education of the Handicapped Act (EHA) to the House Subcommittee on Select Education. Our comments largely reflected the findings of the National Council's recommendations found in the National Council's report THE EDUCATION OF STUDENTS WITH DISABILITIES: WHERE DO WE STAND?

This report was released last September and is the result of four days of hearings in which the National Council heard from over fifty witnesses about the educational needs of students with disabilities. In our comments to the Subcommittee on Select Education we commended the Subcommittee for placing an emphasis on the needs of minority students with disabilities because our research has shown that these children, especially those who are Native Americans, have not receive the full benefits of P.L. 94-142. Our comments also focused on such issues as transition from school to work and the provisions of the legislation which call for an ombudsman program for parents of children with disabilities. We would be pleased to supply the Committee with a copy of our complete comments on the EHA should you so desire.

Mr. NATCHER. The Department of Education would like to merge the funding of deaf-blind projects with severely handicapped projects. What is the Council's view on this proposal?

Ms. BRIGGS. The National Council does not have an official position on this proposal. However, it is our understanding that these two programs serve two distinctly different functions. Since its inception in 1968, the Deaf-Blind program has been focused on meeting the unique educational needs of these children, many of whom have great difficulty in processing information. Since the enactment of the Education of the Handicapped Act Amendments of 1983, this program has placed greater emphasis on programmatic support which will enable state and local education agencies to educate these students, in accordance with the provisions of P.L.94-142. This programmatic support includes technical assistance, training, and information dissemination.

The Severely Handicapped Program provides innovative approaches to meeting the educational needs of children who are classified as severely handicapped. These children include students who are seriously emotionally disturbed, autistic, severely and profoundly mentally retarded and students with multiple disabling conditions. These programs are intended to foster "best practices" which will enhance our understanding of how these children learn.

While these two programs are similar, it appears that they serve two distinctly different populations. While deaf-blind children may have some likenesses with other severely disabled children, their methods of learning are far different. Moreover, by keeping these two programs separate, it would appear that we may gain more knowledge about how all severely disabled students learn. Thus, it would appear that these two programs should remain individual entities.

SPACE ALLOCATION

Mr. NATCHER. The GSA general standard for space allocation is 135 square feet per employee. The Council's space allocation is 51% higher. Is the additional space needed to accommodate the special needs of disabled employees or do other factors account for the extra allocation?

Ms. BRIGGS. The National Council is allowed more than the standard space allocation to account for the special needs of employees with disabilities and visitors to the office with disabilities. In addition, the total space allocated is not just office space for the employees, it includes an accessible restroom, conference room and a supply room.

1991 BUDGET REQUEST

Mr. NATCHER. The 1991 budget request for a) printing and reproduction, b) communications, and c) supplies and materials are significantly less than estimated 1990 expenditures. Please explain the variation in each category.

Ms. BRIGGS. The printing costs in FY90 reflects the costs of reprinting of several of the National Council's reports. The communication costs in FY90 includes the installation of a new phone system in the Department of Transportation building where the National Council office is housed. The variation in supplies and materials for FY90, reflects the cost of computer supplies and software in conjunction with equipment purchased. The National Council will not have these additional expenditures in FY 1991.

REPORTS

Mr. NATCHER. By statute, the Council is required to prepare two annual reports, one each January and one each March. What is the status of the 1990 reports?

Ms. BRIGGS. Both of the reports are in the process of being published. The reports will be completed within a few months.

HEALTH INSURANCE

Mr. DWYER. H.R. 8, "The Social Security Work Incentive Act" was included as a provision of the Omnibus Budget Reconciliation Act of 1989. As a cosponsor of H.R. 8, I believe that this legislative change removes a major disincentive for disabled people to work by allowing disabled individuals who receive SSDI and return to work to buy into the Medicare system. In addition, Medicaid will pay the entire Medicare premium for those SSDI recipients earning less than 200% of poverty.

You testified that nearly two-thirds of the 26-30 million disabled Americans who do not work would like to. Of that number, how many disabled Americans were discouraged from returning to work, because they were afraid that they would no longer have adequate health insurance?

Ms. BRIGGS. While there are no major studies which show exactly how many Americans with disabilities are discouraged from work because of inadequate health insurance, there are studies which suggest the magnitude of the problem. In a random sample of physically disabled Vocational Rehabilitation applicants conducted in 1985 in Wisconsin, 20 percent indicated that their work efforts were limited because they wanted to protect their Medicaid and Medicare benefits. The study also asked about other obstacles which limited the respondent's ability to work. Respondents cited the lack of availability of attendant care, housing, transportation and inadequate medical care and limited job skills as other factors which limited their work efforts. The Social Security Administration is collecting data about efforts to work as a response to making Medicaid more available using the 1619 waiver. At this early stage of data collection and analysis, findings indicate that 40,000 people have returned to work now that Medicaid is more available.

Mr. DWYER. In recent years, many employers have eliminated or replaced their health insurance programs. As a result of this, spouses and family members of workers, some of whom are disabled, are being denied coverage under family health insurance plans, because of "preexisting conditions." Is the National Council examining this matter?

Ms. BRIGGS. In 1988, the Council drafted the Americans with Disabilities Act, a comprehensive piece of civil rights legislation currently being considered by Congress. A provision designed to prohibit discrimination in the area of health insurance was initially planned as part of the legislation but subsequently dropped. Health insurance remains an important priority for the Council. The Council recognized in 1988 that preexisting condition clauses were discriminatory. Today, the Council is actively considering approaches to end this discrimination. Members have received a background briefing paper which indicates the trend from community-based premiums calculated by pooling the risks of illness among all members of the health plan and experience rating which determines premiums based on the actual or estimated costs of the insured group. The use of experience rating encourages further reliance upon underwriting to predict health care costs and to identify individual members of the group who might be at higher

risk for illness due to preexisting health conditions. Such individuals are either denied coverage or find their coverage limited by preexisting condition restrictions. The Council is exploring the possibility of organizing a forum to hear from consumers, regulators, service providers, insurers and other who play crucial roles in health insurance decision making. The forum will serve as the basis of a major report to the Congress and the President with recommendations to address "preexisting condition clauses" and other health insurance issues affecting individuals with disabilities.

NATIONAL CENTER FOR MEDICAL REHABILITATION RESEARCH

Mr. DWYER. Legislation has been introduced to establish a National Center for Medical Rehabilitation Research.

Do you believe that this center would be duplicative of current efforts at the Public Health Service and the Department of Education?

Ms. BRIGGS. The National Center for Medical Rehabilitation Research would be housed within the National Institutes of Health (NIH). While individual institutes within NIH have rehabilitation missions, there is no central focus for rehabilitation research within NIH. The proposed center would have training, coordinating and long-term rehabilitation research planning functions. Since the mission of the NIH is to improve the health of the American people by conducting and supporting biomedical research into the causes, prevention and cure of diseases, support research training and the development of research resources, and finally to communicate biomedical information, the proposed center would focus on the biological level of analysis. For example, the new center would not emphasize social variables such as those related to vocational rehabilitation.

The National Institute of Disability Rehabilitation Research (NIDRR) is currently housed within the Department of Education. NIDRR's mission includes leadership and support for a national and international program of comprehensive and coordinated research on the rehabilitation of individuals with disabilities. The Institute also disseminates information related to rehabilitation that can improve the lives of people with disabilities. NIDRR's research is more applied, than the basic research associated with the National Institutes of Health, and is designed to assure the integration of people with disabilities into independent and semi-independent community life. NIDRR's approach is multi-disciplinary, medical, psychosocial, economics, technological and environmental factors are all legitimate fields for research.

The possibility of duplication occurs in the coordination function, in information dissemination and possibly in training. On the one hand, NIDRR has a broad mission, extending from medicine to the traditional disciplines within the social sciences and beyond to demonstration sites in a social setting. On the other, the new center appears to have a narrower mission, appropriate to the biomedical research emphasis of the NIH. If these boundaries are observed, there duplication may not be a problem.

QUESTIONS FOR THE RECORD:

THE AMERICANS WITH DISABILITIES ACT

Mr. HOYER. As you may know, I have been heavily involved in the Congressional effort to pass the Americans with Disabilities Act.

I wondered if you have any views about the potential impact that the ADA will have on the lives of Americans, both those with disabilities and those who do not?

Ms. BRIGGS. The members of the National Council, many of whom have disabilities or are parents of children with disabilities, have long deliberated the need for an anti-discrimination law which covered persons with disabilities. In 1984, the National Council issued a policy statement entitled "National Policy for Persons with Disabilities" in which we articulated the need for comprehensive legislation which would provide civil rights protections for persons with disabilities. After the publication of this statement, the National Council held numerous forums across the country in which we heard from literally thousands of persons with disabilities about the discrimination which they face on a daily basis.

Our two publications, TOWARD INDEPENDENCE and ON THE THRESHOLD OF INDEPENDENCE became the cornerstone of the Americans with Disabilities Act of 1989 which we are confident will soon become the law of the land.

As we heard from persons with disabilities in the many public forums which the National Council held and through the two public surveys which we conducted through the International Center for the Disabled and Louis Harris and Associates, we became aware of the pervasive discrimination faced by Americans with Disabilities.

For example, the Louis Harris Poll found that:

> By almost any definition, Americans with disabilities are uniquely underprivileged and disadvantages. They are much poorer, much less well educated, and have much less social life, have fewer amenities, and have a lower level of self-satisfaction than other Americans.
>
> Two-thirds of persons with disabilities want to work but are unable to find jobs. The large majority of people with disabilities do not go to movies, to the theater, do not go to see musical performances, do not go to see sports events. The extent of non-participation of individuals with disabilities in social and recreational activities is alarming.

The ADA will drastically change the lives of persons with disabilities and their families and will open up new horizons heretofore only dreamed about by many of these individuals.

There is no doubt that ADA will have an effect on those without disabilities as well. Employers, businessmen, entrepreneurs, and transportations providers will need to learn to accommodate a wide variety of persons with disabilities. That is why technical assistance (which I will discuss in detail below) will be critical

to the implementation of ADA. And there will undoubtedly be a fiscal impact on entities covered by ADA. However, there is also a fiscal impact if we do not pass the ADA which must also be kept in mind. In our report, TOWARD INDEPENDENCE, we articulated the fact that roughly 60% of the federal budget earmarked for persons with disabilities is spent on keeping these individuals on the public assistance roles. Yet, as the Harris poll reflects, 66% of those disabled individuals not working would like to work. Moreover, the ADA will decrease the isolation that many persons with disabilities feel and enable them to become full participants in American society. It is the National Council's firm conviction that the passage of ADA will enable persons with disabilities to become productive, taxpaying citizens who will make a substantial contribution to our Nation's economy. Thus, any effect the ADA has on non-disabled persons must be viewed in light of the overwhelming need to enable persons with disabilities to enter into the mainstream of American life.

PERSONS WITH AIDS

Mr. HOYER. To what extent has the Council been reviewing the status of persons with AIDS as it involves employment or other opportunities as well as the level of discrimination to which they may be subjected ?

Ms. BRIGGS. The National Council is deeply concerned about the plethora of problems faced by individuals with AIDS and has engaged in a number of activities on this subject. In 1988 one of the National Council fellows did extensive research on AIDS. Much of this research was incorporated into the original Americans With Disabilities Act as drafted by the National Council. In February, 1989, the National Council held a forum on long term health care needs of persons with disabilities, including those with AIDS. Finally, in May of this year the National Council will hold a forum and visit both Harlem Hospital and the Hale House to explore the topic which none of us like to talk about: babies born with AIDS. There is no question that persons with AIDS present complex problems which the National Council will continue to explore.

CONSUMERS

Mr. HOYER. How actively and successfully would you say that the Council solicits and obtains the input of "consumers" in your deliberations?

Ms. BRIGGS. The National Council has been very successful in soliciting and obtaining input from consumers in its deliberations. The National Council sponsors forums and hearings in conjunction with its quarterly meetings where consumers are invited to participate in and provide input. In addition, the National Council maintains a list of consumers advisors that are contacted on a regular basis to provide input to the National Council on various iniatiatives.

PREVENTION

Mr. HOYER. The justification includes a discussion of the disability prevention program operated by the CDC; could you

elaborate on your coordination with the CDC?

Ms. BRIGGS. The Prevention of Disabilities is one of ten priorities identified by the National Council on Disability in our 1986 Report to the President and the Congress, TOWARD INDEPENDENCE.

The priority has two objectives: (1) to develop a National Plan for the Prevention of Disabilities as part of the YEAR 2000 HEALTH OBJECTIVES FOR THE NATION and (2) to establish a National Program for the Prevention of Disabilities. The National Program is a grants program to states and US territories for the purposes of improving coordination of prevention-related resources and of encouraging greater community involvement in disability prevention activities. Each state which receives a grant is expected to establish an Office of Disability Prevention to coordinate existing and new state programs related to prevention and to offer technical assistance to communities within the state which are interested in developing programs for the prevention of disabilities. From the Federal grant each state is expected to annually support at least two community-based programs for disability prevention.

When the concept of the National Program for the Prevention of Disabilities was proposed to the Congress, the National Council was asked about which agency should administer the new Program. After a very careful study, the National Council recommended that the new Program be placed in the Centers for Disease Control (CDC). The action to give CDC the responsibility to administer the new Program proved to be one of best success stories of two agencies--CDC and the National Council--working closely together and rising above bureaucratic impediments for effective implementation. Because the area of disability was relatively new to CDC, the National Council proceeded to inform the CDC about issues, problems and programs related to Americans with disabilities. After two years of collaboration, CDC has built a substantial expertise and resource in disability matters.

CDC and the National Council confer continuously on all aspects of the new National Program to include (a) general policy decisions about the Program, (b) legislative issues related to the Program, and (c) long range plans for the program. The National Council does not become involved in the internal administration or budget decision making of the Program but focuses on policy and planning. Also, whenever a question about disability issues is raised, CDC turns to the National Council for advice and counsel.

Since the inception of the new Program, the National Council has advocated for the Program with the Administration and the Congress. We have requested increased appropriations on the grounds that it is important to reach all states and U.S. territories as soon as possible so that current effective and proved preventive interventions may be instituted throughout the Nation to realize a reduction in the number of new occurrences of disabilities in our population. The National Council has advocated for new funds to prevent not only primary disabilities in the asymptomatic population but also secondary disabilities (or additional complications) in persons who are disabled. CDC and the National Council have worked intensively toward these objectives.

Mr. HOYER. Do you also coordinate or review the activities that CDC funds through its injury prevention program, especially as they relate to injury and disability in children and adolescents?

Ms. BRIGGS. One of the major advantages of placing the new National Program for the Prevention of Disabilities at CDC was its administration of related programs in injury prevention, chronic diseases, developmental disabilities and birth defects. Disability prevention is a more generic program which addresses the prevention of all disabilities, regardless of causation. Injuries represent one of the major causes of disabilities and death. The National Council and the CDC decided that in the early phase of the new National Program for the Prevention of Disabilities, we should draw upon the existing strength of CDC and support efforts related to traumatic head injuries, spinal cord injuries and developmental disabilities. Each of the nine state recipients for FY 1988 and FY 1989 emphasized state efforts in these three areas as well as others which they added. Limitations in funds prohibited expanding the Program immediately to all areas of disabilities.

The National Council is interested in the Injury Prevention Program and its contribution to Disability Prevention. CDC holds that most injuries are preventable and have supported many projects which have successfully reduced injuries and subsequent death and disabilities at all age levels. A review of the current state grant programs demonstrate the impact of the Disability Prevention Program and its cooperation with Injury Prevention. In the State of North Carolina, a number of projects have been instituted to prevent injuries and subsequent disabilities in children and adolescents. These include the following:

1. Bicycle Helmet Promotion Project in Pitt county: the project focuses on young riders, 5 - 10. Older children will receive information and helmet incentives during this year. A post-intervention telephone survey of parents is planned for the summer of 1990 to evaluate the campaign's impact and effectiveness.

2. Transportation Needs of Special Children: A Project to Prevent Secondary Disabilities: the Office for Prevention (State of North Carolina) will work with the Developmental Disabilities Section of the Division of Maternal and Child Health and several Developmental Evaluation Centers on a project to address the transportation needs of special children. The goals of the project are: (1) to increase awareness of the special transportation needs of children with developmental disabilities and chronic illnesses and (2) increase the use of special adaptive seating devices for transporting these children to avoid injuries during movement.

In the State of New York, a community-based project on the prevention of head injuries and spinal cord injuries was instituted by the Department of Orthopedics, State of New York Health Science Center at Syracuse. A community project on injuries of high school students in contact sports was already underway but with the support of the CDC funding (through New York State), the project has been expanded to include all school children who may be at-risk for head and spinal cord injuries. Prevention efforts will be instituted to reduce the number of new occurrences of these devastating disabilities through the schools, through public

education and through environmental engineering to reduce the hazards on playgrounds, swimming pools, in the schools, at home and at work.

Since the new National Program for the Prevention of Disabilities is located in the Office of the Director, Center for Environmental Health and Injury Control, CDC, the National Council interfaces with injury prevention and other areas representing major causes of disability through its cooperative relationship with the Director of the Center.

JUSTIFICATION OF THE BUDGET ESTIMATES

NATIONAL COUNCIL ON DISABILITY

FY 1991 Budget	Page No.
Proposed Appropriation Language	1
Description of Agency	2 - 3
Major Activities Summary - FY 1989	4 - 5
Planned Accomplishments - FY 1990	6
Planned Accomplishments - FY 1991	7
Amounts Available for Obligation	8
Analysis of Changes (1990 - 1991)	9
1991 Budget Policy	10 - 14
Budget Tables	15 - 19

Proposed Appropriation Language

National Council on Disability

Salaries and Expenses

For necessary expenses for the National Council on Disability as authorized by section 405 of the Rehabilitation Act of 1973, as amended, [$1,557,000] $1,200,000.

DESCRIPTION OF THE NATIONAL COUNCIL ON DISABILITY

The National Council on Disability is an independent Federal agency comprised of 15 members appointed by the President and confirmed by the Senate. The Council was initially established in 1978 as an advisory board within the Department of Education (Public Law 95-602). The Rehabilitation Act Amendments of 1984 (Public Law 98-221) transformed the Council into an independent agency. The current statutory mandate of the Council assigns it the following duties:

- establishing general policies for reviewing the operation of the National Institute on Disability and Rehabilitation Research (NIDRR);
- providing advice to the Commissioner of the Rehabilitation Services Administration (RSA) on policies and conduct;
- providing ongoing advice to the President, the Congress, the RSA Commissioner, the Assistant Secretary of the Office of Special Education and Rehabilitative Services (OSERS), and the Director of NIDRR on programs authorized in the Rehabilitation Act;
- reviewing and evaluating on a continuous basis the effectiveness of all policies, programs, and activities concerning individuals with disabilities conducted or assisted by federal departments or agencies, and all statutes pertaining to federal programs, and assessing the extent to which they provide incentives to community-based services, promote full integration, and contribute to the independence and dignity of individuals with disabilities;
- making recommendations of ways to improve research, service, administration, and the collection, dissemination, and implementation of research findings affecting persons with disabilities;
- reviewing and approving standards for Independent Living programs;
- submitting an annual report with appropriate recommendations to the Congress and the President regarding the status of research affecting persons with disabilities and the activities of RSA and NIDRR;
- reviewing and approving standards for Projects with Industry programs;
- providing to the Congress, on a continuing basis advice, recommendations, and any additional information which the Council or the Congress considers appropriate;
- establishing policies for the to the President's Committee on the Employment of People with Disabilities; and
- issuing an annual report to the President and the Congress on the progress that has been made in implementing the recommendations contained in the Council's January 30, 1986, report, Toward Independence.

While many government agencies deal with issues and programs affecting people with disabilities, the National Council is the only Federal agency charged with addressing, analyzing, and making recommendations on issues of public policy which affect people with disabilities regardless of age, disability type, perceived employment potential, economic need, specific functional ability, status as a veteran, or other individual circumstance. The Council recognizes its unique opportunity to facilitate independent living, community integration, and employment opportunities for people with disabilities by assuring an informed and coordinated approach to addressing the concerns of persons with disabilities and eliminating barriers to their active participation on community and family life.

MAJOR ACTIVITIES SUMMARY: FISCAL YEAR 1989

Major highlights of the National Council on Disability's 1989 Fiscal Year activities include the completion of a report entitled, The Living Arrangements for Severely Disabled Children, which addresses alternative living situations for children and youth with disabilities.

During this fiscal year, the National Council held four days of hearings with more than 50 witnesses in the area of special education. The data from these hearings was the foundation for the National Council's special report entitled, The Education of Children with Disabilities: Where Do We Stand? submitted to the President and to the Congress. In this report, we present 31 findings, findings which are a summary of issues presented to us by the witnesses and by our review of relevant studies and materials. We also raised 20 questions, questions we believe must be explored as part of an effort to improve our nation's education of students with disabilities. We recommended that this study completed by the National Council become the foundation for a continuing effort to assess the education of students with disabilities and make recommendations for improvements.

As the primary federal agency with the responsibility for "reviewing and evaluating all policies, programs, and activities concerning persons with disabilities...," the National Council on Disability continuously seeks to receive input and feedback from consumers with disabilities. In addition to the four mandated meetings held by the National Council, the Council sponsored forums on the following topics: Social Security and Disincentives to Employment; The Americans with Disabilities Act; and The Long term Health Care Needs of Children and Adults with Disabilities. The National Council maintains a list of persons with disabilities as consumer advisors whose expertise is highly valued and utilized on many issues.

In August 1989, the National Council held the first national conference for persons with disabilities and their families. Policy recommendations were developed as a result of this conference.

One of the priorities included in the National Council's 1986 report, Toward Independence, was the need for a Federal initiative to prevent primary and secondary disabilities. Such an initiative could substantially reduce the costs of disability and health care for Americans, reduce the Federal spending for disability in the near future, and decrease the incidence of disability for future generations. Because it is clear that our nation has the knowledge, technology and resources to mount an effective and successful national program for the prevention of primary and secondary disabilities, the Council has devoted concerted effort in this area, and considerable progress has been achieved.

The Centers for Disease Control (CDC) received funding in 1989 to begin to establish offices on prevention in various states. The National Council works very closely with the CDC in this area. CDC also awarded a grant to the Institute of Medicine to study the issue of prevention. The National Council was represented in the development of this worthwhile study. The National Council also actively participated in the drafting of The Year 2000 Health Objectives for the Nation, ensuring that disability prevention was addressed.

Pursuant to its ongoing statutory mandate to establish general policy for and review the operations of the National Institute on Disability and Rehabilitation Research (NIDRR), the Council had meetings with the Director of NIDRR to discuss the development of the NIDRR five year plan and areas of concern to the National Council. In addition, NIDRR has assigned a staff person to work with the National Council.

The National Council was mandated in the 1986 Rehabilitation Amendments to establish general policies for the President's Committee on Employment of People with Disabilities. The National Council had developed with the President's Committee, a Memorandum of Understanding which outlines the role of each agency in order to fulfill the National Council's mandate.

Participation in a wide array of interagency committees enables the Council to keep abreast of activities in the Federal Government, as well as keeping others informed of the Council's activities. Membership on the Interagency Committee on Handicapped Research, the Federal Agency Council, and the Federal Task Force on Disability, the Interagency Committee on Developmental Disabilities reflects this policy.

Finally, in order for the disability community and others to know more about the activities of the Council, circulation of the Council's newsletter, FOCUS was expanded. The newsletter continues to be a vehicle for communication and helps the Council solicit input regarding its activities and policy development.

PLANNED ACCOMPLISHMENTS SUMMARY FOR FY 1990

During the 1990 Fiscal Year, the Council will continue its follow-up and monitoring activities pursuant to the Congressional mandate to assess progress made on each of the 45 legislative recommendations in its 1986 report, Toward Independence. The National Council plans to focus on civil rights of persons with disabilities in the 1990 special report.

The National Council will continue to address its statutory responsibilities to establish general policies for the National Institute on Disability and Rehabilitation Research and the President's Committee on Employment of People with Disabilities, as well as provide recommendations and advice to the Commissioner of the Rehabilitation Services Administration.

To assure coordination of programs and services affecting people with disabilities, the National Council will continue its participation in such initiatives as the Interagency Committee on Handicapped Research, the Federal Agency Council, the Federal Task Force on Disabled Persons, and other similar coordinating bodies.

Input from consumers is critical to the Council's process of policy development. As in the past, input will be solicited at consumer forums. Forums will be held on the following topics during this fiscal year: The Special Needs of Problems Facing Persons with Disabilities and Families Living on Islands Away From the Mainland USA; Boarder Babies; Wilderness/Park Accessibility for Persons with Disabilities; and Injury/Disability Resulting from Farm/Ranch Accidents and Rural Areas. The National Council is planning to bring together a work group to assist in the development of a national employment policy for persons with disabilities.

The National Council will continue its ongoing initiatives in such areas as: health insurance, personal assistance, prevention, equal opportunity laws for people with disabilities, employment, education and disability related research. The Council will conduct a major study in the area of the education of students with disabilities during this fiscal year. The National Council will also conduct a major study on the financing of assistive technology services and devices for persons with disabilities as mandated by Title II of the Technology-Related Assistance For Individuals with Disabilities Act of 1988. The National Council in conjunction with the Bureau of Indian Health Services will conduct a study on Native Americans with disabilities.

The National Council plans to have hearings in personal assistance for persons with disabilities and the reauthorization of the Rehabilitation Act. In effort to continue to focus on the prevention of primary and secondary disabilities, the Council will cosponsor with the Centers for Disease Control two working sessions; one on the prevention of secondary disabilities of individuals with spinal cord injuries and the second, the prevention of secondary disabilities of persons with cerebral palsy.

The National Council plans to conduct four meetings during the fiscal year as required by statue. In addition, the National Council will continue to publish its quarterly newsletter, FOCUS to share information regarding the activities of the National Council on Disability and to request input regarding the National Council's activities and policy development.

PLANNED ACCOMPLISHMENTS SUMMARY FOR FISCAL YEAR 1991

During the 1991 Fiscal Year, the National Council will continue its follow-up and monitoring activities pursuant to the Congressional mandate to assess progress made on each of the 45 legislative recommendations in its 1986 special report, Toward Independence. The 1991 report may contain data on such subjects as the economics of disability, employment, personal assistance, technological devices and services for persons with disabilities and prevention.

The National Council will continue to address its statutory responsibilities to establish general policies for the National Institute on Disability and Rehabilitation Research and the President's Committee on Employment of People with Disabilities, as well as provide recommendations to and advice to the President, to the Congress and the Commissioner of the Rehabilitation Services Administration.

The National Council plans to hold four quarterly meetings. In order to receive input from consumers, the National Council will sponsor forums on key issues of concern to persons with disabilities such as: technological aids and devices for persons with disabilities; prevention of primary and secondary disabilities; individuals with AIDS and service delivery; education and employment. Specific technical information will also be solicited on an individual basis form the Council's advisors.

Major activities for Fiscal Year 1991 include the following: continuation of the Council's initiatives in the following areas: prevention, employment, civil rights laws for persons with disabilities, personal assistance, health insurance and education. The National Council is planning to sponsor in conjunction with the Bureau of Indian Health Services a conference on the needs of Native Americans with Disabilities and a conference with the Centers for Disease Control on the Prevention of Disability.

To assure coordination of programs and services affecting people with disabilities, the National Council will continue its participation in such groups as the Interagency Committee on Handicapped Research, the Federal Agency Council, the Federal Task Force on Disabled Persons, and other similar coordinating bodies.

The National Council will continue to publish its newsletter FOCUS in order to communicate to the public the activities of the National Council and to solicit input regarding its activities and the development of disability policy.

NATIONAL COUNCIL ON DISABILITY

Amounts Available for Obligation
(In Thousands of Dollars)

	FY 1990 (estimate) ENACTED (PL 99-500)	FY 1991 REQUEST	Net Change
Budget Authority.....	1,540	1,200	340,000
Outlays.....	1,546	1,264	
FTE.....	10	10	
Positions (FTP).....	8	8	

While the 1990 budget authority is $1,557,000, the actual amount available for obligaations is $1,540,000, pursuant to Public Law 99-177, the National Council on Disbility received a redution of 17,000.

NATIONAL COUNCIL ON DISABILITY

Analysis of Changes

	FY 1990	FY 1991	Change
Budget Authority	1,557,000	1,200,000	-357,000
Amount available for obligation*	1,540,000	1,200,000	-340,000
Increase**			
Full-time Permanent	373,000	352,000	-21,000
Other Than Full-time	113,000	117,000	+4,000
Other personnel compensation	15,000	33,000	+18,000
Total Personnel Compensation	501,000	502,000	+ 1,000
Civilian Personnel Benefits	71,000	71,000	———
Travel and Transportation of Persons	126,000	150,000	+24,000
Rental Payments to GSA	65,000	66,000	+1,000
Rental Payments to Others	22,000	25,000	+3,000
Communications, etc.	32,000	20,000	-12,000
Printing & Reproduction	50,000	30,000	-20,000
Other Services	***638,000	331,000	-307,000
Supplies and Materials	19,000	5,000	-14,000
Equipment	16,000	———	-16,000
Total Obligations	1,540,000	1,200,000	-340,000

*Pursuant to the Departments of Labor, Health, and Human Services, and Education, and Related Agencies Appropriations Act, 1990.

**Based on amount available for obligation

***Congress appropriated $400,000 to the National Council to conduct a study on the education of students with disabilities.

BUDGET REQUEST AND JUSTIFICATION

The National Council on Disability's budget request for FY 1991 is in the amount of $1,200,000. A detailed breakdown and justification of this request are as follows:

PERSONNEL

A. FTEs

For FY 1991, the Council requests 10.0 FTEs. This request includes the Executive Director and seven full time employees as authorized by the Council's statutory mandate, P.L. 93-112, as amended. This request also includes 2.0 FTEs to cover four, four-day Council meetings, as well as additional work days for the Council Chairperson and other Council members.

At the present time, the Chairperson and members of the Council are involved in a number of interagency working groups and advisory committees which require their participation and attendance at frequent meetings in Washington, D.C. These working groups and committees include: the Interagency Council on Handicapped Research, the Interagency Committee on Developmental Disabilities, and the Federal ad hoc working group on the prevention of disabilities.

The Chairperson of the Council and Council members also are included on advisory groups working with the Rehabilitation Services Administration, the Centers for Disease Control, the Institute of Medicine and the National Institute on Disability and Rehabilitation Research. Each of these interagency committees and working groups is authorized by federal statute.

The Council staffing pattern assures one professional staff person in each of the following major areas of Council responsibility: Program Specialist (children and adults with disabilities), Research, and Public Affairs. Each area is specific and requires an exclusive body of education and professional experience. The Deputy Director assists the Executive Director in the administrative and management responsibilities thus allowing more time for the Executive Director to respond to issues of critical importance to the National Council.

The position of Executive Director is authorized in the Council's statute and is responsible for evaluation of overall staff performance. The three administrative staff members include an administrative officer, staff assistant and an executive secretary who perform typing, filing, record-keeping and other supportive functions. Students are also used to supplement the support staff.

B. COMPENSATION OF STAFF

For FY 1991, the Council requests a budget of $352,000 for salary expenses associated with full-time permanent employees. This amount represents the projected actual cost of maintaining FY 1990 staffing levels.

C. COMPENSATION OF COUNCIL MEMBERS

One hundred and seventeen thousand dollars is budgeted for compensation of Council members during FY 1991. Council members are paid at the GS-18 grade rate as established by statute. This budgeted amount reflects a desire by members to be actively involved and familiar with the activities and affairs of the Council.

OTHER PERSONNEL COMPENSATION AND BENEFITS

One hundred and four thousand dollars is budgeted for other personnel compensation and benefits during FY 1991. This amount includes $33,000 for employee awards and overtime pay, and $71,000 for personnel benefits. Personnel benefits are a direct function of the amount of budgeted salary and wages.

COUNCIL

The fifteen members of the Council receive, by law, reimbursement of travel expenses associated with the four meetings required annually and with such other meetings that the Council may schedule. Council members are also reimbursed for travel to meetings, consumer forums, professional conferences and other official functions where they represent the Council. By virtue of the fact that many of the Council members are people with disabilities, it is important to note that additional travel costs may be required for attendants. One hundred thousand dollars is budgeted for travel by Council members in fiscal year 1991.

STAFF

Staff travel is budgeted to $30,000 for FY 1991. Professional staff members are required to travel to meetings of the Council which are held outside of the District of Columbia. The Council also has assigned a high priority to holding consumer forums in various cities nationwide to allow people with disabilities to express their views directly to Council members and staff. As in prior years, four such consumer forums are planned for FY 1991. Staff members will be required to assist in arranging and conducting these forums. Council staff members also will participate in various professional meetings and conferences, and make site visits to facilities serving disabled people which are supported with federal funds. As was previously mentioned under Council members' travel, staff members may also be people with disabilities who may require additional travel costs for attendants.

COUNCIL ADVISORS

The Council is committed to involving disabled leaders from across the nation as advisors to participate with the Council in many roles. The Council plans to involve a small number of selected advisors in all of its scheduled meetings and consumer forums during FY 1991. The Council will reimburse participants in these meetings for travel and per diem. No funds will be used to pay salaries for participants in these meetings. Twenty-two thousand dollars has been budgeted for travel related to this activity in FY 1991.

RENTAL PAYMENTS TO GSA

The Council occupies 2,040 square feet of office space in the 800 Independence Ave., S.W., Federal office building. The costs of this office now average $32.00 per square foot. The Council has budgeted $65,000 for occupancy costs in FY 1991.

RENTAL PAYMENTS TO OTHERS

Other rentals include payments to the Councils host agency, the U.S. Department of Transportation. Services received from DOT include the provision of basic telephone service, building maintenance, building security, access to small conference and meetings rooms, access to high speed duplication equipment, mail room service, and certain audio visual service. Twenty-five thousand dollars is budgeted for this item in FY 1991. The increase in cost over prior years for this item is a result of the telephone system which has been installed and is operated by DOT in all of its buildings.

COMMUNICATIONS, UTILITIES AND MISCELLANEOUS CHARGES

TELEPHONES

The Council's budget includes as estimated $10,000 for telephone service during FY 1991. This estimate is based on real costs experienced during FY 1989. Council operations require the use of telephones for both local and long distance calling to maintain communications with Council members, advisors, other agencies, private organizations, and members of the public.

POSTAGE AND DELIVERY

Frequent mailings are made to Council members, Council advisors and persons interested in disability issues nationwide. The Council maintains regular communications with disabled persons and organizations and with private provider organizations serving people with disabilities. As of 1989, the Council distributes its quarterly newsletter to approximately 15,000 individuals and organizations nationwide, and expects to increase that number to at least 20,000 by 1991. Postage will also be needed for the dissemination of the National Council's special reports. Also, Council business requires the occasional use of local delivery and messenger services to insure prompt and safe delivery of documents to other agencies located in Washington, D.C. Ten thousand dollars has been budgeted for these purposes in FY 1991.

PRINTING AND REPRODUCTION

The Council has budgeted $30,000 in FY 1991 for printing costs. These costs will include: (a) printing the Council's Annual Report to Congress; (b) printing a quarterly newsletter which is sent to disabled persons, professional and organizations interested in disability issues nationwide; (c) printing a statutorily mandated special report to Congress and the President; and other public information materials and monographs as required. In addition, the Council plans to regularly print materials in braille and on tape to accommodate visually impaired readers.

OTHER SERVICES

A. RESEARCH CONTRACTS

The Council has budgeted $186,000 to be used for contracting research studies during FY 1991. The Council has iniatiatives in such areas as: personal assistance; employment; health insurance; prevention, education, technology and disability related research. The Council finds it necessary to contract from time-to-time with experts in the fields of Rehabilitation Research, Special Education, Rehabilitation Medicine and Rehabilitation Services in order to develop detailed analyses of problem areas related to work done by the Council's own staff in developing policy alternatives and supporting data for those alternatives. Due to the unique level of expertise required in order to obtain valid data in many of these areas, it is necessary to occasionally employ outside contractors and consultants to assist with these efforts. Funds are also budgeted in this category to contract for assistance in editing, typesetting, and publishing the Council's newsletter, as well as other publications.

B. GSA SUPPORT SERVICES CONTRACT

The Council is authorized by statute to contract with GSA for technical and administrative assistance. Forty-one thousand dollars is budgeted for these services for FY 1991. The Council believes that the GSA contract provides the most efficient and cost effective alternative in securing assistance in personnel matters, contracting, regulation development and overall conformity with Federal rules and practices, and internal policy development, as required of independent agencies such as the Council.

C. READERS, INTERPRETERS, ATTENDANTS, AND MEETING SUPPORT

In addition to using expert contractors to develop specific data and background information for the Council, the Council uses, on a contractual basis, interpreters for hearing-impaired members and public participants, readers for visually-impaired members and public participants, and personal assistants for severely physically disabled members and public participants. The temporary employment, by contract, of such providers is directly related to the nature of work performed by the Council and to the explicitly stated policy of affirmative action to which the Council subscribes. The Council also must employ, on a contractual basis, recording professionals and public transcription specialists to record Council meetings and produce minutes and transcripts of these meetings for the public record. Additionally, meeting space and public address systems for meetings must be secured on a contractual basis. For these purposes $69,000 is budgeted for FY 1991.

D. TRAINING

In order for the Council staff to stay current with critical issues facing persons with disabilities, participation in training programs is necessary. The sum of $10,000 has been budgeted in 1991 for that purpose.

G. MISCELLANEOUS

Twenty-five thousand dollars has been budgeted for miscellaneous contractual services and expenses in FY 1991. The amount budgeted under this category will be used to pay for small, unexpected purchases not included in other budget lines. This category will also be used to secure temporary support staff when workload demands exceed available staff resources and to purchase maintenance services for office equipment.

SUPPLIES AND PUBLICATIONS

The Council's budget includes $5,000 for purchase of supplies during FY 1991. This amount anticipates supplies for mailing and copying, and ordinary office supplies such as paper, and pens and pencils. Also budgeted are funds for the purchases of computer software and library materials, and for subscriptions to relevant scientific, technical and policy-oriented electronics information services and publications.

SUMMARY OF REQUEST

In summary, the Council's request for FY 1991 funds in the amount of $1,200,000 has been developed according to historical experience and projected needs. This request includes funds for personnel expenses, research, and administrative expenses, including travel.

Funding at this level would enable the Council to continue functioning at its present level of activity and productivity. The Council has a broad, yet clear, mandate from Congress, and Council members are committed to meeting the mandate a responsible and cost-efficient manner.

In order to provide sound policy advice on issues which affect the lives of the 43,000,000 Americans with disabilities, which involve more than 200 Federal programs, and which account for more than 100 billion dollars in Federal expenditures annually, the Council must engage in a reasonable amount of study and deliberation.

The Council must have the resources to appropriately review Federal programs in the area of disability and it must be able to obtain the views of people who are involved with these programs in the various states as providers, consumers, family members, and public officials. This budget request provides the necessary means for the Council to meet its obligations to the Congress and the President.

STANDARD FORM 300
July 1954, Bureau of the Budget
Circular No. A-11, Revised.

NATIONAL COUNCIL ON DISABILITY
Program and Financing (in thousands of dollars)

Identification code 95-3500-0-1-506	FY 89 actual	FY 90 estimate	FY 91 estimate
Program by activities:			
10.00 Total obligations	1,160	1,540	1,200
Financing			
25.00 Unobligated balance lapsing	0	---	---
40.00 Budget authority	1,160	1,540	1,200

STANDARD FORM 300
July 1984, Bureau of the Budget
Circular No. A-11, Revised.
000-101

Identification code 95-3500-0-1-506		FY 89 actual	FY90 estimate	FY91 estimate
	Budget Authority:			
40.00	Appropriation	1,160	1,557	1,200
40.00	Reduction pursuant to P.L. 99-77	-----	---17	-----
43.00	Appropriation (adjusted)	1,160	1,540	1,200
	Relations of obligations to outlays:			
71.00	Obligations incurred, net	1,160	1,540	1,200
72.40	Obligated balance, start of year	154	293	287
72.40	Obligated balance, end of year	-293	-287	-223
77.00	Adjustment in expired accounts	-10	-----	-----
90.00	Outlays	1,011	1,546	1,264

STANDARD FORM 300
July 1984, Bureau of the Budget
Circular No. A-11, Revised.
500-101

NATIONAL COUNCIL ON DISABILITY
Object Classification (In thousands of dollars)

Identification code 95-3500-0-1-506		19 89 actual	19 90 estimate	19 91 estimate
	Personnel Compensation:			
111.1	Full-time permanent	362	373	352
111.3	Other than full-time permanent	108	113	117
111.5	Other personnel compensation	5	15	33
111.9	Total personnel compensation	475	501	502
112.1	Civilian personnel benefits	69	71	71
121.0	Travel and transportation of persons	114	126	150
123.1	Rental payments to GSA	64	65	66
123.2	Rental payments to others	23	22	25
123.3	Communications, utilities, and miscellaneous charges	27	32	20
124.0	Printing and reproduction	30	50	30
125.0	Other services	328	638	131
126.0	Supplies and materials	15	19	5
131.0	Equipment	15	16	0
999.99	Total obligations	1,160	1,540	1,200

STANDARD FORM 300
July 1954, Bureau of the Budget
Circular No. A-11, Revised.
500-101

Identification code 95-3500-0-1-506	FY 89 actual	FY 90 estimate	FY 91 estimate
Personnel Summary			
Total number of full-time permanent positions	7	8	8
Total compensable workyears: Full-time equivalent employment	10	10	10

STANDARD FORM 300
July 1984, Bureau of the Budget
Circular No. A-11, Revised.
000-10:

Identification code 95-8077-0-7-506	19 89 actual	19 90 estimate	19 91 estimate
Program by activities:			
10.0 Total obligations (object class 25.0)	10	2	-------
Financing:			
21.40 Unobligated balance available, start of year	-------	- 2	-------
24.40 Unobligated balance available, end of year	2	-------	-------
60.00 Budget authority (appropriation) (permanent, indefinite)	12	-------	-------
Relation of obligations to outlays:			
71.00 Obligations incurred, net	10	2	-------
72.40 Obligated balance, start of year	-------	1	-------
74.40 Obligated balance, end of year	-1	-------	-------
90.00 Outlays	9	3	-------

MONDAY, APRIL 2, 1990.

NATIONAL LABOR RELATIONS BOARD

WITNESSES

JAMES M. STEPHENS, CHAIRMAN
JERRY M. HUNTER, GENERAL COUNSEL
D. RANDALL FRYE, ASSOCIATE GENERAL COUNSEL
JOSEPH E. DeSIO, ASSOCIATE GENERAL COUNSEL
JOHN C. TRUESDALE, EXECUTIVE SECRETARY
MELVIN J. WELLES, CHIEF ADMINISTRATIVE LAW JUDGE
ERNEST RUSSELL, DIRECTOR OF ADMINISTRATION
LEE D. VINCENT, COMPTROLLER
HARDING DARDEN, JR., BUDGET OFFICER

Mr. NATCHER. At this time we will hear from the National Labor Relations Board. Mr. Stephens, tell us who you have with you at the table.

INTRODUCTION OF ASSOCIATES

Mr. STEPHENS. To my immediate left is Lee Vincent, our comptroller, to his left, Jerry Hunter, new general counsel appointed by the President last year and confirmed by the Senate. To his left is Randy Frye, associate general counsel. To my immediate right is John Truesdale, executive secretary and to his left is Melvin Welles, chief administrative law judge. Also on the first row is Mr. Joe DeSio, associate general counsel, Harding Darden, Budget Officer, Ernie Russell, director of administration.

Mr. NATCHER. We are delighted to have you before the committee. Your statement and anyone else's will go in the record at this time in its entirety.

[The statements follow:]

STATEMENT OF

JAMES M. STEPHENS
CHAIRMAN OF THE NATIONAL LABOR RELATIONS BOARD

BEFORE THE
SUBCOMMITTEE ON LABOR, HEALTH AND HUMAN SERVICES, EDUCATION, AND RELATED AGENCIES OF THE HOUSE COMMITTEE ON APPROPRIATIONS

April 2, 1990

Mr. Chairman and distinguished Members of the Subcommittee:

I welcome this opportunity to appear before you as Chairman of the National Labor Relations Board to discuss the Agency's budget request for Fiscal Year 1991. I would like to welcome and introduce our new General Counsel Jerry M. Hunter who is making his first appearance before this Subcommittee. Also with us today to support our FY 1991 budget request is John Truesdale, the Board's Executive Secretary, Melvin Welles, our Chief, Administrative Law Judge, D. Randall Frye, Associate General Counsel, Joseph DeSio, Associate General Counsel, Ernest Russell, Director of Administration and Lee Vincent, Comptroller. In accordance with normal procedure, the Agency has already submitted to you a detailed Fiscal Year 1991 Justification. In my testimony today I would like to touch briefly on some of the highlights of the Justification statement and make a few additional comments as well.

The Fiscal Year 1991 budget now before you requests an appropriation of $151,103,000 compared to the 1990 appropriation of $140,111,000.

The Budget request before you for 1991 is the product of an analysis of the NLRB's best current estimate of: the number of cases that the Agency will receive in 1991; how these cases will be resolved (that is, whether by settlement, dismissal, withdrawal, trial, etc.); the number of staff-years of employment needed, based on targeted rates of productivity; and, finally, the direct costs and support costs required to handle the anticipated caseload.

The Budget request presented to you today projects that the NLRB's case intake in 1991 will increase by about 2.0 percent, while staff will increase by about 1.6 percent. Our budget request embodies our fundamental objective of responding appropriately to every case on our docket in each year. We expect to handle the increase in case intake, with a sightly higher staff and handle our cases on a timely basis and show higher productivity rates throughout the casehandling pipeline.

The total 1991 cost increase from 1990 is $10,992,000. The increased funding would meet normal operating expense requirements and employment expenses that are not completely offset by our expected productivity achievement.

Directly under the responsibility of the Chairman and the Board are the Division of Administrative Law Judges and the staffs of the Board Members. I would like to briefly address these two areas at this time. The General Counsel has statutory responsibility for the investigation and prosecution of cases. He will be addressing these concerns separately.

ADMINISTRATIVE LAW JUDGES

In 1989 our Administrative Law Judges closed 639 hearings, issued 629 decisions and obtained 613 settlements, 330 in person and another 283 by means of conference calls. A significant factor in this achievement is the emphasis within the Division of Administrative Law Judges, and in the operations under the responsibility of the General Counsel, on settling cases whenever possible. This settlement emphasis is critical, not only because settlements eventually save the Agency a great deal in litigation costs, but also because the parties themselves avoid the delays and cost inherent in the formal trial process and subsequent consideration by the Board and the Courts of Appeals. The cost effects of fluctuations in the settlement rate, of course, do not all occur in the same fiscal year, but depend on when the cases would move through subsequent stages of disposition. Since FY 1987 the NLRB has loaned its Administrative Law Judges to other agencies on a reimbursable

basis. We estimate that in FY 1990 these services will be provided to the Comptroller of the Currency, FDIC, Department of Education, Department of Interior, and Department of Justice as well as the Social Security Administration. The NLRB remains the primary source of judges when any agency requests OPM for a loan. However, with the attrition at our Judge Corp and the projected increased intake it is not certain that this program can continue in FY 1991.

MEMBERS' STAFFS

Under present Budget estimates the Board Members will be faced with the task of deciding 671 contested unfair labor practice cases in 1990 and 691 in 1991. In 1989, the Board decided 750 unfair labor practice cases and 288 contested representation cases. Present estimates call for the Board to decide 322 contested representation cases in 1990 and 344 in 1991.

The Board has for the fourth year in a row succeeded in lowering its backlog of undecided cases. The backlog reached its all time high of 1,628 unfair labor practice and representation cases in February, 1984. At the end of January 1990 the backlog had declined to 526 cases, a drop of 1,102 cases or 67.7 percent. We have achieved this reduction without increasing the number of staff attorneys assigned to each Board Member and despite various funding reductions

mandated by deficit reduction goals. The budget for 1991 anticipates that the Board will continue to reduce the number of cases awaiting its decision.

I should also note that, in addition to numerous initial decisions in contested election cases, the Board also rules on other appeals and request for review of decisions by the Regional Directors. In these types of cases, our budget also provides for keeping current despite an increasing workload.

CONCLUSION

It is my firm belief that the process afforded by the NLRB to resolve conflict is an essential contribution to an efficient United States economy. It is my intention to assure that the Agency will do all that is possible to resolve the labor disputes within its jurisdiction in a timely, professional manner. I offer you my further commitment to assuring that the NLRB's mission is carried out expeditiously and in the most cost-effective manner.

At this time I would like to offer you the NLRB's new General Counsel, Jerry M. Hunter and an opportunity for him to make any comments he wishes.

STATEMENT OF

JERRY M. HUNTER
GENERAL COUNSEL OF THE NATIONAL LABOR RELATIONS BOARD

BEFORE THE

SUBCOMMITTEE ON LABOR, HEALTH AND HUMAN SERVICES, EDUCATION, AND
RELATED AGENCIES OF THE HOUSE COMMITTEE ON APPROPRIATIONS

April 2, 1990

Mr. Chairman and distinguished Members of the Subcommittee: It is my pleasure to appear before you as General Counsel of the National Labor Relations Board to discuss this Agency's budget request for Fiscal Year 1991.

The Budget request before you for 1991 is the product of an analysis of the NLRB's best current estimate of the total number of cases the Agency will receive in 1991; the pattern of disposition of those cases (that is disposed by either withdrawal, dismissal, settlement, or hearing); the employment required to process these cases based upon targeted rates of productivity; and the direct and indirect costs required to support the casehandling operations.

The Fiscal Year 1991 budget now before you requests $151,103,000, an increase of $10,992,000 over the 1990 total funding of $140,111,000. Of the increase $9,185,000 will be for mandated increases, primarily in payroll and benefits and

space rent. The NLRB's 1991 request will support all normal Agency casehandling operations. The budget estimates the Agency will process, in 1991, 32,596 unfair labor practice cases and 9,231 representation petitions: a total case increase of about 2.4 percent over 1990. The total 1991 staff request for the Agency is for 2,220 FTE.

As part of the normal budget process, the Agency has already submitted a detailed "Justification of Estimates for Fiscal Year 1991". I would like to take this opportunity to review in greater detail the responsibilities of the office of the General Counsel, highlight our accomplishments in Fiscal Year 1989, and talk about the outlook for Fiscal Years 1990 and 1991.

RESPONSIBILITIES OF THE OFFICE OF THE GENERAL COUNSEL

As you know, the National Labor Relations Act (29 U.S.C. 141-167) provides that "the General Counsel shall exercise general supervision over all attorneys employed by the Board (other than Administrative Law Judges and legal assistants to Board Members) and over the officers and employees in the Regional Offices. He shall have final authority, on behalf of the Board, in respect of the investigation of charges and issuance of complaints under Section 10, and in respect of

the prosecution of such complaints before the Board, and shall have such other duties as the Board may prescribe..."

As a result of this statutory authority, the General Counsel supervises the Agency's field establishment of thirty-three regional offices, which comprise about two-thirds of the total staff, as well as headquarters staffs of the Division of Advice, Enforcement Litigation and Division of Administration. It is the Regional Offices that receive unfair labor practice charges, investigate them, determine merit and then, as to those cases deemed meritorious, settle or prosecute them. Under authority delegated by the Board, the Regional Directors also receive and process representation petitions, determine appropriate bargaining units for employee representation, conduct elections, resolve allegations of objectionable election conduct and certify election results. Additionally, the General Counsel pursues enforcement of Board decisions by litigation in the U. S. Circuit Courts of Appeals and the Supreme Court.

The Agency has little control over its case intake. It must respond to all inquiries concerning possible violations of the National Labor Relations Act. When an unfair labor practice charge is filed in one of the Agency's 33 regional offices, 2 sub-regional offices or 17 resident offices, the charge begins to move through what can be described as a

casehandling "pipeline". The newly filed charge is first investigated by a Board Agent. Non-meritorious cases are withdrawn or dismissed. If the case is found to be meritorious, the parties are encouraged to settle without further action. Absent settlement, an unfair labor practice complaint is issued and a hearing held before an Administrative Law Judge. Following the hearing and the Judge's decision, there may be further appeals to the Board and the Courts of Appeals. After enforcement of a Board order, we must obtain compliance with that order, be it backpay, return of illegal fines, reinstatement to jobs or whatever. Compliance efforts can spawn a separate "pipeline" of litigation. Of course, at any point in the process the parties may reach a settlement which, if approved, obviates the need for further proceedings.

Each unfair labor practice charge brought before the Agency must be resolved. However, the further a case proceeds along the Agency's casehandling "pipeline", the greater are our resource needs. So that available resources are providently employed, we have identified four major objectives which we believe are critically important to our goal of processing cases in an effective and efficient manner. First, we carefully screen out clearly non-meritorious cases; second, we continue to emphasize our

settlement programs which are designed to maintain the NLRB's traditionally high settlement rate; third, we continue to develop more efficient means of casehandling in order to process quickly and fairly the maximum number of cases; and, fourth, we stress achievement of these objectives in tandem with a commitment to maintaining and improving the quality of our service to the public.

In order to meet the first challenge, the Office of the General Counsel utilizes an intensive public information officer program in our field offices. This program seeks to provide help to those who contact our offices about their concerns. Careful attention at this early, prefiling stage assures that we can screen out many no-merit charges, thus conserving Agency resources which would otherwise be expended in investigating non-meritorious charges if they were filed. It is through the administration of this important program that many thousands of persons are provided with guidance as to what this Agency can and cannot do for them, whether or not they should file a charge and, as appropriate, the identities and locations of other Federal or state agencies to which they might be referred for assistance. The effectiveness of this program is demonstrated by the fact that during Fiscal Year 1989 this Agency's field offices handled 211,934 such contacts from employees, unions and

employers, of which only 10,729 or 5.1% resulted in the filing of an unfair labor practice charge.

The second challenge, achieving the maximum number of settlements, involves a great deal of preparation, time, and effort on the part of the staff of the Office of the General Counsel. Administrative Law Judges will also aid the parties in an effort to reach a proper settlement. Even in the highly simplified description of the Agency's case "pipeline" just discussed, it is apparent that as a case progresses from the initial investigation by our field staff to its litigation before the Board and in the courts and eventually into compliance, the drain on Agency resources becomes increasingly severe. In fact, a decrease of one percent in the settlement rate for meritorious cases may result in an additional cost to the Agency of more than one million dollars by the time all of the additional work generated by fully litigating such cases is completed.

Our third challenge is the ongoing necessity, consistent with our traditional standards of high quality, to quickly process the maximum number of cases within our budget constraints. The NLRB has a long history of increasing its level of productivity and its success has been documented by the Bureau of Labor Statistics, the Office of Personnel Management and by the Comptroller General.

Finally, and equally important, we are committed to maintaining quality casehandling and providing effective remedial action in Agency proceedings. This is accomplished by means of an extensive Quality Review program and careful attention to the training of our professional and support staffs.

Accomplishments in Fiscal Year 1989

The record of the Office of the General Counsel in 1989 reflects the careful attention given to our responsibilities under the NLRA and to our obligation to conserve public funds. Both the Washington and field offices under the General Counsel's responsibility have consistently been able to maintain a high level of service to the public. These offices are staffed by hard working and dedicated public servants and it is their commitment, together with the assistance of this Committee in the budget process, that has made this fine record possible.

The NLRB's level of service is reflected in these 1989 operating achievements:

1. Case Intake. The Regional Offices accepted and commenced the processing of 40,523 total cases. The 31,988 unfair labor practice cases filed represent a increase of 2.0 percent from those filed

in Fiscal Year 1988. There were 8,535 representation cases filed, an increase of 16.8 percent from 1988.

2. Unfair Labor Practice Case Dispositions. Of the unfair labor practice charges filed, 35.7 percent were found to have merit, the highest merit factor in at least 19 years, compared to the 35.2 percent in 1988. The settlement rate was 89 percent, down from the 91.1 percent achieved in 1988. A total of 3,226 complaints were issued in a median of 45 days, the same as in 1988.

3. Litigation Results. The General Counsel won 83.6 percent of Board and Administrative Law Judge decisions in whole or in part in Fiscal Year 1989, an increase from the 79.8 percent litigation rate in Fiscal Year 1988 which represents the highest litigation rate attained since 1978.

4. Representation Case Performance. The Regional Offices conducted approximately 4,245 initial elections of which 83.9

percent were pursuant to agreement of the parties; in 1988, the corresponding figures were 4,132 elections and 83.4 percent election agreements. Regional Directors issued 846 decisions in contested representation cases after hearing in a median time of 43 days, compared to the 854 decisions which issued in a median time of 43 days in 1988. There were 1,130 initial representation and union deauthorization hearings in 1989, compared to 1,155 in 1988.

5. Productivity. In 1989 productivity continued to be affected by the decline in case intake over the last years, which has occurred at a greater rate than staff attrition. We have also suffered from the loss of numbers of experienced Agency personnel to the salaries of the private sector and a disproportionate number of new untrained staff members in certain areas. Productivity is budgeted to increase in 1990 and 1991.

6. Injunction Activity. We continued to utilize Section 10(j) of the Act effectively: during Fiscal Year 1989, the Regional Offices submitted 163 Section 10(j) injunction cases to the Division of Advice compared to 166 cases in 1988. The General Counsel requested 10(j) injunction petitions in 62 cases in 1989 compared to 44 in 1988.

   The Regional Offices filed 59 petitions for Section 10(1) injunctions in the U. S. District Courts. In 1988, 49 such petitions were filed.

7. Appellate Litigation. In Fiscal Year 1989, 180 cases were decided by the United States Courts of Appeals compared with 166 in Fiscal Year 1988. Of those decided in FY 89, 87.2 percent were won in whole or in part, compared to 81.3 percent in Fiscal Year 1988; 4.8 percent were remanded entirely compared to 4.8 percent in Fiscal Year 1988; and 8.3 percent were total losses compared with 13.9 percent in Fiscal Year 1988.

These are but a few of the achievements this past year. I am particularly proud of our ability to provide quality service to the public at a time which continuing losses of experienced staff and the extensive training required for new staff members, has challenged Agency managers daily.

It should be noted that during the past several years we have experienced a significant increase in the number of cases requiring complicated efforts to achieve compliance with Board orders and court judgments enforcing those orders. Approximately 70 percent of these cases involve issues of alleged inability to pay or to comply with the remedies ordered by the Board and the courts, often requiring extensive financial analysis and negotiation, as well as too-frequent searches for respondents who have physically moved and re-named themselves to avoid compliance. Approximately 60 percent of all pending compliance cases involve situations where bankruptcy proceedings have been filed by the respondent. The number of compliance cases involving bankruptcy issues has more than doubled since 1978. Since enforcement of the Act ultimately comes down to complying with Board and/or court orders, we must commit additional staff to this facet of our work. Otherwise, the Agency is reduced to a "toothless paper tiger", winning legal victories

without real-life consequences and completely voiding the intent of Congress.

Overall, the NLRB's impact on commerce has been considerable. In the last few years, we have been successful in ending unlawful work actions that closed entire ports; stopping secondary activity that threatened to involve an entire network of banks and a large insurance conglomerate in disputes not their own; and enjoining employers seeking to shut down operations and move in order to avoid a union organizing campaign. This latter action saved jobs in several small communities. This record, together with the very favorable comments of practitioners across the country about the quality of the service they receive, reflects the truly outstanding commitment of the Regional and Washington staffs.

Outlook for Fiscal Year 1990

In 1990, the offices under the General Counsel continue to operate effectively and efficiently. Tight control continues to be exercised over expenditures to ensure effective use of the Agency's resources. However, through the first three months of FY 90 the Agency has experienced approximately a 10% increase in ULP filings over the same period in FY 89. Should this rate of case intake continue through FY 90 the Agency will have a very difficult

task in handling its workload on a current basis. This will present a very difficult challenge in FY 90 and an even greater challenge in 1991 with a rising backlog. The success of the Agency's field staff has been due in great part to our ability to get to disputes quickly and attempt to resolve them before formal litigation. Productivity increases are expected in almost every area of casehandling.

Outlook for Fiscal Year 1991

If the 2.0 percent increase in workload estimated for 1991 is reached, the Office of the General Counsel will face the challenge of providing current casehandling. While critically important elements of our casehandling, e.g. the settlement rate, are not totally within our control, I am confident that, with the dedication and hard work of our employees and with the thoughtful direction of our managers and supervisors, we will meet our goals.

The Fiscal Year 1991 Agency employment request is expected to be sufficient to process all of the cases that we estimate will be filed in FY 1991.

CONCLUSION

The National Labor Relations Board is about to complete its 55th year. From the foregoing review of the performance of the Office of the General Counsel, it is clear that we have entered our second half century with a healthy,

productive and committed organization. I am very proud to be associated with the traditions that have made the headquarters and field operations of the Office of General Counsel such a fine example of effective public service.

In closing I wish to thank the Committee for the opportunity to appear before it and for your continued support during my term of office.

GAO STUDY

Mr. NATCHER. Mr. Stephens, what was the focus of the recent General Accounting Office study of the National Labor Relations Board and when is the final report expected?

Mr. STEPHENS. The focus of the study is the decisional process at the board level among the five members of the board.

The General Accounting Office has been actively studying the process since January of 1989. My understanding is that they finished their basic auditing just last week and that they are in the process now of writing up a report.

We anticipate that within the next couple of months they will have a draft of the report ready for comment. I understand that a final report which has the blue cover will probably be issued sometime late in the summer.

Mr. NATCHER. Did the General Accounting Office identify specific problems during their review, Mr. Stephens?

Mr. STEPHENS. I am sorry, have they identified?

Mr. NATCHER. Yes, the General Accounting Office now, did they identify specific problems during their review? Did they point out any problems?

Mr. STEPHENS. As I understand it, their purpose will be to point out what they see are problems with the decision making process. They have not shared with us their findings. I assume that the first opportunity that we have to examine their recommendations will be in the draft report that comes out some time in late May.

RISK OF WASTE, FRAUD AND ABUSE

Mr. NATCHER. The Board was one of several agencies, as you know, recently identified by the Office of Management and Budget to be at risk for waste, fraud and abuse.

Tell us now if you will about the problems highlighted and what the Board is doing to correct them.

Mr. STEPHENS. Well, we looked into the basis of that report and as we understand it the problem identified is basically one of not being in technical compliance with certain of the government-wide goals regarding an integrated accounting process.

Our OMB contacts whom we contacted after this report came out agreed that the reported deficiencies were very, very minor compared to others that were reported involving other agencies. It is our intention to install by the end of the current fiscal year a very advanced and integrated accounting system to account for financial and property planning.

INSPECTOR GENERAL

Mr. NATCHER. The Board recently established an Inspector General's office, as you know. Was this need identified by the Board or as a result of legislation?

Mr. STEPHENS. It was the result of legislation.

Mr. NATCHER. In what specific areas has the Inspector General focused attention up to this time, Mr. Stephens?

Mr. STEPHENS. He has not made a formal report to us. I understand that under the legislation establishing his office he is to file a report twice a year, at the end of April and at the end of the

fiscal year. It is my understanding that he is examining some of the accounting procedures and processes in place and some of the procurement aspects, I think. But I don't have a specific report from him at this time.

SPACE LEASE

Mr. NATCHER. The House Committee on Public Works recently approved a prospectus for a replacement lease for the Board. When does the current lease expire and when will new space arrangements be finalized, Mr. Stephens?

Mr. STEPHENS. The current lease expires at the end of this fiscal year. The board, just in the last month or two, authorized the staff to go ahead and look for increased space which, if approved by the Public Works Committee, would require that we relocate in another building.

We are actively pursuing that right now. I think that, of course, there are a number of steps that have to be gone through before the board would move to another location. We would expect the whole process to take well over a year so we would probably have to renew our lease at the current location for an additional year.

Then, sometime in fiscal year 1991, we would hope to be able to make the actual move.

Mr. NATCHER. What is the current space allocation at the Washington office? Tell us how much is projected under the new lease and how does this compare to General Services standards, Mr. Stephens?

Mr. STEPHENS. I think the current space is around 160,000 square feet. That is the amount that has been approved by the Public Works Committee. We have been advised that the General Services Administration has indicated that it is favorably inclined to approve a plan for acquiring up to a total of 205,000 square feet which would be a 45,000 foot increase in space.

Mr. NATCHER. Does the proposed space expansion explain the 24 percent increase in rental space in the 1991 budget? How firm is this estimate that we have before us?

Mr. VINCENT. Mr. Chairman, slightly over half of the rent increase that you see in the justification is for our headquarters. That is about $2,000,000. The remaining $1,800,000 is for various moves in our field offices that we expect to have happen during the year.

That is strictly cost increases without increase in space. In fact, we will be diminishing the space. It is simply for market rate changes and quality of space assigned by GSA. The $2,000,000 of that increase that goes for the headquarters was based on our estimates that we would bring our present 160,000 square feet up to market rates in the Washington downtown area.

Since GSA is in the process of approving the larger square footage, we would hope that they will find space at less than what we are concerned might be the market rate and that in any case the time lag that it will take would allow us to properly budget for the impact of whatever space they find for us.

Right now that is quite uncertain, but they still could move us well within fiscal 1991 less 1990 staffing.

Mr. NATCHER. In 1990, as you know, the Board requested and received funds to support 2,304 full-time equivalents. This year the budget indicates that the ceiling for 1990 is 121 positions lower. Why has the ceiling decreased so significantly?

Mr. STEPHENS. Our justification indicates that we are asking for a net increase for this fiscal year, yes. It would be tied to the increase that we expected. I really missed your question. I think the increase of cost is based on a pay increase assumption.

Mr. VINCENT. The absorption of the recent January pay raise has cost us well over $1,500,000 over the last year. That has required us to take attrition and leave some vacancies unfilled.

INCREASED STAFFING FOR 1991

Mr. NATCHER. The Board is requesting an increase of 37 positions in 1991. Are you confident that these funds will be used for additional staff rather than diverted again, Mr. Stephens?

Mr. STEPHENS. To my knowledge it is to be used for staff for the field, that is right. That is not for other purposes.

Mr. NATCHER. In other words, the additional staff would be used in the field?

Mr. STEPHENS. Yes, sir.

INTAKE FOR 1990

Mr. NATCHER. We are now half way through fiscal year 1990. Have you revised your case load in-take estimate based on actual data? Has it been revised?

Mr. STEPHENS. Let me yield to our general counsel on that.

Mr. NATCHER. Go ahead, Mr. Hunter.

Mr. HUNTER. Mr. Chairman, for the first half of the fiscal year the case intake has been up approximately 10 percent. For the first four months the case intake was up 12 percent. The increase was during what was normally a slow season, the winter time.

Projecting on this, we believe we will have an increase in intake, particularly in the spring and summer of 10 to 12 percent.

FACTORS CONTRIBUTING TO DECREASED INTAKE

Mr. NATCHER. In 1980 unfair labor case intake reached a high of 44,063. Intake since then has decreased significantly with 32,590 projected for 1991. What factors contribute to the decrease?

Mr. HUNTER. I don't know if I can totally answer this, what factors contributed to the increase. However, our statistics for fiscal year 1989 showed an increase in unfair labor practice cases over that of fiscal year 1988.

Based upon the increase which we have seen so far for the first six months of this fiscal year being a 10 percent increase, we are projecting that we will have another increase for fiscal year 1990 over the increase of fiscal year 1989.

MEDIAN TIME LAG

Mr. NATCHER. From 1985 to 1989 the median time for filing to settlement or adjustment of informal dispositions almost triples. What factors explain this? How do you explain this?

Mr. HUNTER. Mr. Chairman, we believe that the figure that is shown in this table is in error. We would like to have a chance to review this and provide what we believe is the proper figure on the time that it took to adjust these cases.

Mr. STOKES [presiding]. Please feel free to expand upon or correct the record in any way that you feel justifies the proper answer.

[The information follows:]

Over the past several years our case database has undergone a conversion from manual to automated.

As a result, newly written computer generated reports are now able to produce most case handling information.

Unfortunately, a discrepancy in this particular line of the report went undetected. This program has been adjusted and the new figures are now compatible with prior years.

Median Days From Filing to Informal Settlement

Fiscal year:	
1985	39
1986	40
1987	42
1988	45
1989 pre	47

Mr. STOKES. In 1981 the median time for an administrative law judge decision to a board decision was 120 days. In 1989 the median time was 300 days. Can you tell us what factors explain this apparent decrease in productivity?

Mr. STEPHENS. Mr. Chairman, let me address. If you look at the historical period from around 1984 to 1989, the board experienced a tremendous increase in backlog of cases at the board level.

It reached an all time high in February 1984 of 1647 cases. Since that time the board has been successful in reducing that backlog on a steady basis.

By the time that we got into the 1987-88-89 period, while we were cutting down the backlog we were also deciding a lot of cases that had been there for quite a long time. Of course, when those were issued and since they were at the board so long, that would tend to shift the median processing time considerably higher.

So that in 1989 when we decided our 750 cases, there were a substantial number that had been there for a number of years.

Our current figures show that the processing time has diminished significantly. I think that the last time we developed a statistic in the last month or so, the median time was about 239 days which is a significant drop off of processing time, median processing time. It shows that the cases we are issuing today are ones by and large that have not been at the board for a great period of time and, therefore, the median processing time has reduced.

VOLUNTARY COMPLIANCE

Mr. STOKES. The number of unfair labor practice cases which the Board requests appellate review for enforcement of its decisions is projected to increase 19 percent between 1989 and 1991. Why is voluntary compliance decreasing and what financial impact does this have on the Board?

Mr. STEPHENS. I am not sure if it is indicative of a decrease in voluntary compliance. It may indicate that more respondents feel that they have got a meritorious argument before the Court of Appeals.

There may be more cases that we have issued in the last few years as opposed to the previous years which would then increase, according to experience, the average number of cases that go up on appeal.

Ultimately, Mr. Chairman, I don't know whether it is a matter of people, respondents not wanting to voluntarily comply with our law. I think voluntary compliance over the years has been generally pretty good, in terms of court review, let me stress in terms of court review.

I think that the general counsel's office that is responsible for overseeing the compliance with our orders may be in a position to speak to compliance problems short of actual cases in the courts of appeals.

Mr. HUNTER. Mr. Chairman, there have been some additional new areas in this that I think as the Chairman said accounts for some of the delay.

Bankruptcy, our compliance process involved a lot more bankruptcy proceedings which obviously lengthened the time period for reaching the end of the enforcement process. Obviously with the amount of litigation and the backlog in the courts generally, that has resulted in our cases being delayed substantially also.

FINANCIAL IMPACT

Mr. STOKES. In terms of the latter part of the question as to what financial impact does this have on the Board, do you have any response?

Mr. STEPHENS. I will yield on that.

Mr. VINCENT. Mr. Chairman, I noticed in our budget book that the plans for our entire division of enforcement litigation for 1991 would be an increase from $7,300,000 to $8,000,000. That would indicate that the gross increase would be about $700,000.

Some of that will be part of the next pay raise because we have anticipated half of next January's pay raise in here. The remainder then would be divided between the two factors of simply more cases coming through the board and the increased complexity factor, the increasing number of bankruptcy proceedings that we have seen even within a given and constant number of enforcement proceedings.

ADMINISTRATIVE LAW JUDGES HEARINGS

Mr. STOKES. Between 1989 and 1991, the number of administrative law judge hearings is projected to increase about 13 percent although the projected number of new unfair labor practice cases increases less than 2 percent. Why is the number of hearings increasing so disproportionately?

Mr. STEPHENS. I think that is probably attributable to the fact that the board would not be able to obtain or the general counsel would not be able to obtain the number of settlements that it has obtained in the past prior to a case going to hearing.

Obviously, the vast majority of meritorious cases are disposed of before an administrative law judge convenes a hearing. To the extent that we would be having an increase in hearings, at the same time there does not seem to be a great surge in unfair labor practice cases, it would be to the reduction of settlements.

If my colleagues want to expand on that, I will yield.

Mr. HUNTER. Mr. Chairman, our statistics show that we are issuing more complaints. Obviously, that will contribute to the number of cases that will be pending before the administrative law judge. If the rate that complaints are being issued continues, obviously that will account for part of the backlog before the administrative law judges.

BOARD VACANCIES

Mr. STOKES. Mr. Stephens, how many of the five Board positions are filled and when will the terms of each member expire?

Mr. STEPHENS. We have one vacancy right now. It is for a seat that was vacated by former member John Higgins last year. I understand that the White House is actively looking for a candidate for that vacancy.

I would assume that within the next few months the White House would be sending a name to the Senate. I would hope that by the end of—certainly by the end of the summer, that that seat would be filled unless some controversy arises surrounding whoever the White House nominates.

The remainder, my term expires in August of this year, the term of Mary Cracraft expires December of 1991. Then in 1992 would be the seat that is now vacant, that term would expire. In 1993, the term of Member Oviat would expire. Member Oviat was just appointed to the board in January. He is awaiting confirmation by the Senate. He now holds a recess appointment.

In 1995 the term of Member Devaney would expire. Like Member Oviat he holds a recess appointment right now at the board and is awaiting confirmation by the Senate.

I think that completes the five-member board.

MAJOR EQUIPMENT PURCHASE

Mr. STOKES. In 1990 the Board requested and received $800,000 for equipment. It now appears that $1,400,000 will be spent on equipment and furniture in 1990 and another $2,900,000 is requested for 1991. What major equipment and furniture purchases are being made?

Mr. STEPHENS. The major expense is for the purchase of personal computers for our staff. We estimate that we will be spending about $2,500,000 on personal computers and related software.

Mr. STOKES. Mr. Stephens, has a comprehensive automation plan been developed by the Board?

Mr. HUNTER. Mr. Chairman, prior to my coming on board Chairman Stephens and the previous general counsel appointed a technology committee which came up with recommendations for automating the agency.

A budget request based on that plan was submitted to the Office of Management and Budget. Part of the request was approved. We

are updating the plan at the present time. We plan to resubmit an additional request to the Office of Management and Budget which will provide for totally automating our field and headquarters operations.

Mr. STOKES. Can you tell us what level of expenditures are anticipated and over what period of time?

Mr. HUNTER. The director of our Division of Administration has advised me that the request will be for approximately $20,000,000 over a three-year period of time.

Mr. STOKES. Thank you.

Mr. Stephens, we will have a number of other questions to submit to you and your colleagues. You may answer those for us in the record. Feel free to expand upon them fully. We appreciate the presence of you and your colleagues here this afternoon.

At this time, we will conclude your hearings.

Mr. STEPHENS. Thank you, Mr. Chairman.

Mr. HUNTER. Thank you, Mr. Chairman.

[Questions and answers for the record and the justifications follow:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Mr. Natcher. How many employees at the Board are affected by the 1991 pay increase mandated by the Ethics Reform Act of 1989?

Mr. Vincent. There are 72 employees at the Board who are affected by the 1991 pay increase mandated by the Ethics Reform Act of 1989. Sixty-six of these employees are in the Senior Executive Service and the remaining six are Presidential appointees. Also by raising the salary cap approximately 85 judges would also be affected.

Mr. Natcher. What are the costs associated with the increase and are these costs included in your 1991 request?

Mr. Hunter. The cost associated with the Ethics Reform Act of 1989 is estimated at $1,300,000. These costs are not in our 1991 request.

Mr. Natcher. The 1991 request for communications and utilities decreases 16%. How were savings achieved in these areas?

Mr. Hunter. The decrease in communications costs anticipated in FY 1991, is attributed to the conversion to the FTS 2000 communications network. The savings were achieved based on the decreased rates taking effect in FY 1991. In the FY 1990 estimate, the per minute cost was $0.347 per minute and in the FY 1991 estimate, the per minute estimate was $0.24. This reflects virtually all calls made by agency personnel.

Mr. Natcher. The Board received $326,000 in reimbursable obligations in 1989 and estimates receiving $300,000 in 1990. What is the source of these funds, and why are no receipts expected in 1991?

Mr. Welles. The source of the reimbursable obligations in 1989 and 1990 were funds received by the Agency as reimbursement for services of Administrative Law Judges loaned to other agencies to hear cases arising before those agencies. For the past several years the NLRB has loaned judges to hear cases before a number of agencies which either have no judges of their own or did not have an adequate number of judges to handle their case loads.

During the current fiscal year, judges have been loaned to the Federal Deposit Insurance Corporation, the Office of the Controller of the Currency, the Internal Revenue Service, the Treasury Department, the Small Business Administration, the National Transportation Safety Board, the Department of Education, and the Department of Justice.

No receipts are expected in 1991 because we anticipate that the NLRB case load will continue to grow and the number of ALJs on the Agency roster will continue to decline, making it necessary to utilize all NLRB judges to keep abreast of our own case load and avoid increasing backlogs and delays. In the event that the case load fails to increase as expected, we will continue to lend judges to other agencies.

Our figures for the first five months of FY 90 show that case intake has increased at a rate greater than anticipated at the time the budget projections were made. Complaints issued during the first five months are up 10% above the number for the same period last year.

Within the Judges Division, trials pending are up 19.6% and trials closed are up 11.1%. The backlog of decisions pending in cases which have been heard is up 5.2%. The backlog per judge of decisions pending, 4.96, is higher than at any time since 1983, and the increase in both trials closed ard pending decisions is reflected in increased time lag between hearing and decision.

The upturn in fact began during the last five months of FY 89 so that as of the end of February we have had 10 months experience from which we project a continuing increase in case load.

At the same time attrition of the ALJs has continued at the rate we anticipated. At the beginning of FY 89 we had 89 active ALJs, down from a high of 117 in 1981. During FY 89 we lost five judges. Two retired, one transferred to another agency, and two died. During FY 90 one has retired, a second will retire at the end of June or July, and a third toward the end of the fiscal year. Thus, at the start of FY 91 we will have no more than 81 active judges. Other retirements of which we are not yet aware are also possible.

If the increase in case load continues and we continue to lend judges, backlogs and delays will continue to grow. Even if the loan program is discontinued, after taking retirements into consideration, the increase in available judge time for NLRB cases will do little more than replace the judges who will retire during the current year, and the net gain will not keep pace with the increase in case load we now anticipate.

While we anticipate that all our judges will be needed for Board work, if the increased case intake does not hold up, or if backlogs appear manageable without discontinuing the loan program, we will continue to make our judges available to other agencies for as long as possible.

Mr. Natcher. What factors other than historical trends are used to predict settlement rates?

Mr. Hunter. Prior to Fiscal Year 1982 the settlement rate was in the 81-86 percent range. Since Fiscal Year 1982, the Agency has sustained a settlement rate consistently in excess of 90 percent with the exception of Fiscal Year 1989 when the rate was 89 percent. The rate is influenced by a number of variables, including case intake levels, and the merit factor (i.e., the percentage of unfair labor practice situations which are determined to have merit). In a given case, the proposals for settlement are affected by things such as nature and type of issues, and the flexibility of the parties concerning their willingness to consider settlement. In Fiscal Year 1989, hundreds of

meritorious unfair labor practice charges were filed against the United Mine Workers of America and constituent Districts and Locals as a result of a secondary work stoppage at the beginning of the summer. While those charges resulted in issuance of a large number of complaints, meaningful settlement discussions could not be undertaken until Fiscal Year 1990. Obviously, those outstanding charges and complaints remaining unsettled in Fiscal Year 1989 had an adverse impact on our settlement rate for Fiscal Year 1989. Cases of this type (we currently are experiencing a substantial intake of charges involving the nationwide Greyhound strike) are not predictable and not subject to trend measurement.

Mr. Natcher. The justification indicates that each one percent increase in the number of settlements results in a saving to the taxpayer of over $1 million. How is this calculated?

Mr. Hunter. The meritorious case that does not settle results in a substantial increase in staff time to take the case to final disposition. The first step after settlement efforts fail is issuance of an unfair labor practice complaint. This requires attorney staff time to draft the complaint and managerial supervision of the drafting. Once the complaint is issued there are administrative costs incurred at the Regional Office level and in Washington to set up the official formal case file for record purposes and administrative reporting purposes. Settlement efforts continue at all stages. The case is prepared for trial by one or more staff attorneys; an Agency Administrative Law Judge and the Agency attorney assigned the case for trial, travel to the city where the hearing is to be held; an official transcript of the hearing is made with attendant court reporting costs; briefs are submitted to the ALJ; decision writing time by the ALJ; Appeals to the Board from the ALJ decision; consideration of the case by Board members and staff; appeals to the Circuit Court (and sometimes the Supreme Court); efforts to secure compliance with Board and Court decisions; all of these litigation activities which normally result when a case is not settled involve considerable clerical and professional staff time. Attached is a detailed explanation of the manner in which the $1 million is calculated. (See Attachment 1 at the end of the questions.)

Mr. Natcher. The justification indicates that the time required before a case is heard by an Administrative Law Judge has decreased from 10-12 months to less than 3 months in a majority of regional offices. Why are there regional variations in the time it takes to hear cases?

Mr. Hunter. There are several factors that account for regional variations in the time requested before a case is heard by an Administrative Law Judge. The number of attorneys employed in each region, which varies among the regions, affects the number of trials which a region can schedule for each month. The regions with more attorneys can schedule more trials each month. The

experience level of the attorneys in each region has a similar effect. Inexperienced attorneys need to be assisted at trial, as well as during trial preparation, by more senior attorneys. This leaves the senior attorneys with less time to handle trials, forcing those regions with inexperienced attorneys to reduce the monthly number of trials. The number of complaints which each region issues also affects the time required before a case is heard by an Administrative Law Judge. Furthermore, the complexity and length of the trials affects the number of trials which can be scheduled each month. Some regions have major trials which occupy the time of one or two attorneys for several months. This necessitates the scheduling of fewer trials during such periods which, in turn, increases the length of time it takes for other cases to come to trial. Finally, the number of settlements secured after issuance of complaint also accounts, in part, for regional variances. When post-complaint cases settle sufficiently in advance of the scheduled trial date, other cases can be inserted in place of the settled cases in the trial calendar.

Mr. Welles. The answers to both questions rest on the same facts. From 1981 to 1986 there was a steady decline in the unfair labor practice case load. As a result, during that period the backlogs of unfair labor practice cases awaiting hearing declined and the length of time it took cases to come to hearing also declined. By 1986 most regional offices were able to bring cases to trial in less than three months from issuance of complaints.

During the same period there was also a decline of personnel in the regional offices due to attrition as vacancies were filled only on a limited and selective basis. Since then, attrition has not been uniform among regions and rates of case intake also have varied from region to region, some regions have not had sufficient personnel to try cases at the same rate as they are receiving them. In order to manage their dockets they have had to keep extending assigned trial dates. As a result, in some regions trial calendars have stretched out.

To ameliorate the case intake imbalance, last year some regional office boundaries were realigned. Also, there were personnel transfers from overstaffed to understaffed regions, and the limited hiring permitted by the budget was concentrated in regions with the heaviest backlogs.

As of April 5th, seven regions (Memphis, New York, Pittsburgh, New Orleans, and San Francisco) were setting cases to be heard from five and a half to six and a half months after issuance of complaint. Six regions (Detroit, Boston, Winston-Salem, Indianapolis, Milwaukee, and Hartford) were setting cases to be heard from four to four and a half months after issuance of complaint. Sixteen regions (Buffalo, Baltimore, Atlanta, Tampa, Chicago, Fort Worth, Kansas City, Los Angeles (2), Peoria, Philadelphia, Cleveland, Cincinnati, Seattle,

Phoenix, and Oakland) were setting cases to be heard from two and a half to three and a half months after issuance of complaint. Three regions (St. Louis, Minneapolis, and Newark) were setting cases to be heard from one and a half to two months after issuance of complaint.

Mr. Natcher. Why does the current 1990 estimate for civilian personnel benefits increase 15% over the original 1990 request?

Mr. Hunter. The current 1990 estimate for civilian personnel benefits increased 15% over the original 1990 request because -

(1) Health insurance cost increase.

(2) The cost of FERS increases as older employees leave the agency and new federal employees are hired. This means a larger portion of Agency employees are enrolled in the more costly FERS.

(3) The Agency has increased the relocation costs for employees transferring from one location to another location. This increase is based upon an increase in the average cost per relocation.

Mr. Natcher. How does the Board disseminate information to its staff about relevant recent court decisions?

Mr. Stephens. All relevant court decisions are circulated to staff employees in both the Washington headquarters and the Board's regional offices, subregional offices and resident offices, either by slip opinions or through the reporting services such as Bureau of National Affairs or Commerce Clearing House. In addition, the Division of Administrative Law Judges, which has offices in Washington, D.C., San Francisco, New York City, and Atlanta, also receives copies of such decisions. For the most part, relevant court decisions involve proceedings which originated with the NLRB. However, decisions by the 11 circuit courts of Appeals and the United States Supreme Court which involve the general field of labor relations, or sections of the National Labor Relations Act (Sections 301 and 303 where jurisdiction is vested in the courts, not the NLRB, and duty of fair representation cases where the courts exercise concurrent jurisdiction with the Board), or administrative law are also widely distributed in the Washington and field offices of the Board.

One such case, of course, was the United States Supreme Court's decision in Communication Workers of America v. Beck, 487 U. S. 735 (1988). Beck did not arise under the National Labor Relations Act but clearly impacts on the Board's administration of the Act and has led to filing of charges with the Agency which are at various stages in the Agency's casehandling pipeline. The Beck decision was distributed in both the Washington headquarters and in the field operations, as well as in the offices of the Administrative Law Judges Division. In addition, the General Counsel circulated to the field offices, over which he exercises day-to-day supervision, a memorandum setting forth guidelines for processing charges arising under Beck.

Mr. Hunter. The staff of the Division of Advice receives copies of relevant court decisions promptly after they are received by the Division of Litigation and the Injunction Litigation Branch. In addition, the staff receives the Labor Relations Reporter which publishes such court decisions.

Mr. Natcher. What dollar amount of the travel and "other services" budget is associated with training of personnel?

Mr. Hunter. The Agency's training program consists primarily of two components, Seminar or specifically designed professional training and the Tuition Reimbursement Program for all employees.

The seminar type training is held at various locations around the country where our regional and headquarters personnel travel to and receive training on investigative techniques, NLRA cases involving substantive and procedural issues, trial techniques, and general supervisory and management training. The travel costs for this type of training are estimated at $400,000 for FY 1991. There is an additional $55,000 budgeted for the Seminar training program spread through object classes 23, rents, 24, printing and 23, other services.

The Tuition Reimbursement Program is for the continuing education requirements of our professional staff, upward mobility of our clerical staff, job enhancement skills, required training of new staff in the use of word processing, required training of newly appointed supervisors at all levels and executive development programs. The object class 25, other services costs for FY 1991, is estimated to be $382,000 and $25,000 for travel reimbursement.

Mr. Natcher. Has the Board established goals or guidelines regarding the optimal timeframe for its review of judge decisions?

Mr. Stephens. For many years the Board has established the following as the optimal timeframe for review of judges' decisions:

Pre-assignment (issuance of judge's decision to assignment)	56 days
Stage I (assignment to tentative, oral decision)	21 days
Stage II (drafting of written decision)	21 days
Stage III (circulation of draft to beginning of issuance process	14 days
Issuance process (conformance, editorial, reproduction)	5 days
	117 days

Because of the necessity in many cases for granting extensions of time to the parties to file appeals and briefs with the Board, and because of the increased pending caseload due to turnover among Board Members in recent years, it has frequently not been possible for the Board to adhere to this timeframe. Issuance of decisions in a median of about 120 days, however, remains the Board's goal.

Mr. Natcher. What steps have been taken to reduce the amount of time required by the Board to review cases?

Mr. Stephens. The Board's pending caseload reached an all-time high of 1647 cases in February 1984, due in large part to an extraordinary turnover in Board membership. The effect of turnover on production can not be emphasized too much and, of course, the buildup in pending cases contributed greatly to the length of time taken to issue decisions. The major step taken by the Board to reduce the time required to review cases has been to mount a vigorous attack on the pending caseload. Of course, the immediate short term effect has been to increase the time required because as the older cases were issued, the median days of such decisions were higher. As part of this vigorous push, the Board Members agreed to meet more often; in some instances to consider cases on the basis of oral reports; to generate groups of cases on which the Board Members and their staffs would simultaneously focus; to concentrate on the oldest cases at special meetings; to renew emphasis on a "speed team" procedure; and to streamline the summary judgment procedures. The result has been, by dint of hard work and concentration on the oldest cases, a 70% reduction in the pending caseload which will soon result in substantial reductions in case processing time.

Mr. Natcher. Last year you testified there were 92 cases over two years old awaiting Board decision. How many cases are currently over two years old?

Mr. Stephens. As of April 1, 1990, there were before the Board 41 unfair labor practice cases more than two years old. Of the 92 cases that were more than two years old last year, only 25 are still at the Board.

Mr. Natcher. What criteria are used to determine whether a case is considered "pending" or "backlogged"?

Mr. Stephens. In a sense there is no "backlog" of cases at the Board, if by that term is meant cases on which no one is working. Even in days when the Board's pending caseload reached its historic peak of 1647 cases, in February 1984, all of those cases had been assigned and were in some stage of review. The appellation "backlog" was affixed to the pending caseload in those days, however, and the Agency has not been able to shake it off.

Mr. Hunter. While there are "grey areas" between those situations where cases are clearly "pending" as opposed to "backlogged", the following discussion will highlight certain areas where the terms apply in the Agency's field operations.

The cases which are processed in the Agency's field offices are managed by the Regional Directors. Historically the overall management and supervisory of the Regional Offices has been the responsibility of the General Counsel's Division of Operations-Management. The Division of Operations-Management's case management system utilizes a series of case processing time goals which apply to discrete portions of the overall "pipeline" through which cases progress. By setting these "interim" case processing time goals, it is easier to identify those specific areas where timely performance is particularly good, or in need of attention.

Within the context of the aforementioned case management system, a region's caseload would generally be considered "pending" when the caseload is being processed within an appropriate time frame. In that regard, the time goals are not fixed standards, but are flexible (oftentimes medians) which allow for more difficult cases or extenuating circumstances to justify longer case processing. As a result, so long as a region's caseload is being processed within a reasonable time frame, it would be considered a "pending" caseload. On the other hand, if cases cannot be processed within the time expected because of circumstances separate and apart from complexity or extenuating circumstances (e.g., a staffing shortage or a significant increase in case intake), then the region's case load would, at some point, be considered "backlogged".

In addition to the foregoing, we may view cases as "backlogged" at a stage where a case processing time goal is inapplicable. For example, once a complaint issues in an unfair labor practice case, it is scheduled for a trial before an administrative law judge. The regions are allocated a specific number of hearing dates each month within which to schedule trials. The number of days so allocated is based upon the expected number of trials, the availability of Administrative Law Judges, etc. In the event the number of cases requiring trial before an Administrative Law Judge cannot be scheduled within a reasonable time frame due to matters unrelated to the substance of the case, such as an unusually heavy caseload or a shortage of legal staff, we would consider those cases "backlogged".

Mr. Natcher. What is the projected backlog of Administrative Law Judge and Board cases at the end of 1990 and 1991?

The projected backlog for Division of Judges "C" cases is as follows:

Backlog of cases for trial	FY 90 - 709 FY 91 - 426
Judges Decisions Backlog	FY 90 - 322 FY 91 - 322

The projected backlog for Board "C" cases is as follows:

Contested Board Decisions	FY 90 - 451
	FY 91 - 451

Mr. Natcher. Why is there a projected drop in the number of contested unfair labor practice cases from 1989 to 1990?

Mr. Hunter. In FY 1989 the regional offices received over 600 charges of unfair labor practice as a result of the Pittston Coal - UMW labor dispute. In estimating intake for FY 1990 the 1989 intake was discounted for this large number of charges filed, therefore the FY 1990 estimate has been made on a smaller base and the result would appear to be a projected drop in unfair labor practice filings.

After discounting intake for the Pittston in FY 1989 we are projecting approximately a 2% increase in ULP filings in FY 1990. However, thus far in FY 1990, we have experienced a 10% increase in ULP filings compared to the same period a year ago. This is a trend that began in May of 1989 and has continued.

Mr. Natcher. Why does the median time from complaint to close of hearing in unfair labor practice cases increase 36% from 1986 to 1989?

Mr. Hunter. During the period 1986 to 1989, the average complement of full-time attorneys by year follows: 1986 - 485; 1987 - 454; 1988 - 462; and 1989 - 473. Thus, these figures demonstrate there were fewer attorneys to handle the trial calendar. In addition, our greatest attrition is among attorneys particularly our more experienced attorneys. Consequently, many cases that are tried must be handled by a less experienced corps of attorneys who require extensive training, both formal and on-the-job, before they become fully productive. Together, these factors have resulted in an expansion of the trial calendar and an increase in the time from complaint to close of hearing.

Mr. Welles. Our figures for the first five months of FY 90 show that case intake has increased at a rate greater than anticipated at the time the budget projections were made. Complaints issued during the first five months are up 10% above the number for the same period last year.

Within the Judges Division, trials pending are up 19.6% and trials closed are up 11.1%. The backlog of decisions pending in cases which have been heard is up 5.2%. The backlog per judge of decisions pending, 4.96, is higher than at any time since 1983, and the increase in both trials closed and pending decisions is reflected in increased time lag between hearing and decision.

The upturn in fact began during the last five months of FY 89 so that as of the end of February we have had ten months experience from which we project a continuing increase in case load.

At the same time attrition of the ALJs has continued at the rate we anticipated. At the beginning of FY 89 we had 89 active ALJs, down from a high of 117 in 1981. During FY 89 we lost five judges. Two retired, one transferred to another agency, and two died. During FY 90 one has retired, a second will retire at the end of June or July, and a third toward the end of the fiscal year. Thus, at the start of FY 91 we will have no more than 81 active judges. Other retirements of which we are not yet aware are also possible.

If the increase in case load continues and we continue to lend judges, backlogs and delays will continue to grow. Even if the loan program is discontinued, after taking retirements into consideration, the increase in available judge time for NLRB cases will do little more than replace the judges who will retire during the current year, and the net gain will not keep pace with the increase in case load we now anticipate.

While we anticipate that all our judges will be needed for Board work, if the increased case intake does not hold up, or if backlogs appear manageable without discontinuing the loan program, we will continue to make our judges available to other agencies for as long as possible.

Mr. Natcher. What share of Board decisions are contested to the Court of Appeals?

Mr. Hunter. I cannot furnish you with an exact answer to this question. We have no data matching Board decisions to enforcement proceedings. A Board decision may issue in one fiscal year, while the court proceeding commences in another. The Board's output of unfair labor practice case decisions are 715, 713, 750, in 1987, 1988, and 1989, respectively. The intake of contested cases in the Appellate Court Branch of the Division of Enforcement was 336, 356, and 349 for 1987, 1988, and 1989, respectively. On the basis of these figures, roughly 50% of Board decisions are contested in the Courts of Appeals. However, not all contested cases result in court decisions. Many cases settled in the pipeline to court decision through the settlement program in the Appellate Court Branch.

Mr. Natcher. Provide a table similar to Table 1, page 3 that reflects compensation by Full-Time Equivalent rather than staff position.

NATIONAL LABOR RELATIONS BOARD
Compensation By Full-time Equivalent
(in $000's of dollars)

	FY 1990 ESTIMATE		FY 1991 REQUEST		INCREASE OR DECREASE	
	FTE	COMP.*	FTE	COMP.*		
GC & EEO	10.0	658	10.0	700	0	42
OP.MGT.						
DC	38.0	1,810	38.0	2,056	0	246
FIELD	1423.0	60,405	1469.5	63,095	46.5	2,690
Sub Total	1461.0	62,215	1507.5	64,591	46.5	2,376
ADVICE	44.0	2,075	44.0	2,375	0	300
ENFORCE-MENT	141.5	6,000	140.5	6,456	-1.0	456
ADMINI-STRATION	230.0	7,500	230.0	8,028	0	528
BOARD MEMBERS	171.0	8,001	165.0	8,692	-6.0	691
JUDGES	122.0	7,000	118.0	7,496	-4.0	496
I.G.	3.5	221	5.0	260	1.5	39
GRAND TOTAL	2183.0	93,670	2220.0	99,158	37.0	5,488

Mr. Natcher. Provide a five year table showing the number of employees that are moved from one regional office to another annually, the total costs associated with these moves by object class, and the average cost per move each year.

INTERREGIONAL TRANSFER COSTS
FISCAL YEARS 1985 - 1989

FISCAL YEAR 1989 TRANSFERS - 20

Occupancy of Temporary Qtrs.	100,150	
Real Estate Transactions	411,259	
Miscellaneous Moving Expenses	11,900	
Reimbursable Income Tax - All	266,500	
Relocation Travel	31,779	
Shipment of Household Goods	123,988	
Storage of Household Goods	60,855	
TOTAL COST	1,006,431	AVG PER MOVE- 77,418

FISCAL YEAR 1988	TRANSFERS - 18	
Occupancy of Temporary Qtrs.	70,413	
Real Estate Transactions	216,749	
Miscellaneous Moving Expenses	9,450	
Reimbursable Income Tax - All	175,500	
Relocation Travel	18,308	
Shipment of Household Goods	72,513	
Storage of Household Goods	24,104	
TOTAL COST	587,037	AVG PER MOVE-41,931

FISCAL YEAR 1987	TRANSFERS - 20	
Occupancy of Temporary Qtrs.	113,568	
Real Estate Transactions	480,509	
Miscellaneous Moving Expenses	19,680	
Reimbursable Income Tax - All	334,364	
Relocation Travel	36,862	
Shipment of Household Goods	180,474	
Storage of Household Goods	46,451	
TOTAL COST	1,211,908	AVG PER MOVE-71,289

FISCAL YEAR 1986	TRANSFERS - 24	
Occupancy of Temporary Qtrs.	43,665	
Real Estate Transactions	259,915	
Miscellaneous Moving Expenses	9,907	
Reimbursable Income Tax - All	90,704	
Relocation Travel	19,744	
Shipment of Household Goods	63,424	
Storage of Household Goods	14,951	
TOTAL COST	502,310	AVG PER MOVE-38,639

FISCAL YEAR 1985	TRANSFERS - 29	
Occupancy of Temporary Qtrs.	80,652	
Real Estate Transactions	364,087	
Miscellaneous Moving Expenses	13,531	
Reimbursable Income Tax - All	143,071	
Relocation Travel	27,965	
Shipment of Household Goods	141,223	
Storage of Household Goods	26,274	
TOTAL COST	796,803	AVG PER MOVE-31,872

Mr. Conte. Mr. Stephens, lets begin by talking about a matter of extreme importance to me, and Americans everywhere...baseball. The lockout is over the season will start next week. Is everyone happy?

Mr. Welles. Despite the incitement of a boycott by writers such as Tom Boswell, the normal, sane world, i.e., baseball fans, is in seventh heaven that the lockout ended with only a one week delay in the season's start, and with no games to be lost.

Mr. Conte. What do you think of the Red Sox chances of winning the pennant?

Mr. Welles. Any team that is part of the constituency of a member of our appropriations committee is a heavy favorite to win the pennant.

Mr. Conte. The percentage of workers who are union members has declined. Part of this decline has been attributed to the existence of the NLRB, because when you resolve disputes quickly, labor is prevented from exercising its full might. What do you think, has the Board hurt the unions ability to organize workers?

Mr. Stephens. No, the Board has not hurt the unions' ability to organize workers. The National Labor Relations Act protects the right of employees to self-organization, to form, join, or assist labor organizations, to bargain collectively through representatives of their own choosing, and to engage in other concerted activities for the purpose of collective bargaining or other mutual aid or protection, and also protect their right to refrain from any or all such activities except to the extent that such right may be affected by a valid union security agreement. The National Labor Relations Board is committed to effective enforcement of the Statute, including protection of the rights of employees.

CASE BACKLOG

Mr. Conte. What is your current case backlog for both unfair labor practice cases and representation cases?

Mr. Stephens. The Agency's pending caseload as of April 1, 1990, was 409 unfair labor practice cases and 102 representation cases, for a total of 511.

Mr. Conte. How much progress have you made in reducing your backlog?

Mr. Stephens. In February 1984, the Board's pending caseload reached an historic peak of 1647 cases (1296 unfair labor practice cases and 351 representation cases). Today, the comparable figures are 409 unfair labor practice cases and 102 representation cases, for a total of 511 or a reduction of about 70%.

Mr. Conte. The number of representation cases and unfair labor cases has declined over the 1980's. For example in FY 81 the Board took in over 43 thousand unfair labor practice cases compared to 32 thousand in FY 89. What is causing this decline?

Mr. Hunter. Various factors may affect the NLRB's case intake in any given year, and how these factors affect case intake are not always very clear.

Between 1981 and 1988 the Agency experienced an intake decline in 5 of the 7 years. That period of time

was characterized by unusual situations on the broad scene of labor-management relations (give backs, plant closures, decline in union share of the work force, shift to service oriented jobs). It may well be that some of those factors affected the level of organizing activity engaged in by unions, which has traditionally been a factor affecting both representation and unfair labor practice case intake. In addition, there were reports in the media during that period of time that some labor organizations were choosing to avail themselves of non-Board means to address representation and collective bargaining issues. However we cannot be absolutely certain what portion of the Agency's case intake decline may have been attributable to any of these factors.

Mr. Conte. For FY 89 what was the median time -- from filing to formal Board decision -- that the Board need to process an unfair labor case?

Mr. Stephens. In FY 89, the median time from filing with the Board to Board decision in an unfair labor practice case was 229 days. From filing of charge with the Agency to Board decision was 727 days. In considering this last figure, however, it should be noted that such cases represented only 2% of all closings in FY 89. Ninety percent of the charges closed by the Agency in FY 89 were closed in a median time of 52 days from filing to closing (dismissal, withdrawal, settlement). The median time from filing to closing of all ULP cases in FY 89 was 58 days.

Mr. Conte. How about representation cases?

Mr. Stephens. The median time from filing of petition to Board decision in FY 89 was 284 days if a post-election hearing was required. The overall median time for deciding representation cases from the time the case reached the Board itself until issuance of the decision was 128 days in FY 89. Again, this involved a very small number of cases. From filing of petition to Regional Director decision (1029 cases) the median time was 45 days. The median time from filing to closing in all representation cases in FY 89 was 55 days.

REPRESENTATION CASES

Mr. Conte. In recent years the amount of time it took for the Board to review representation cases was much higher than at any time during the Board's 55 year history. What factors are contributing to this increase?

Mr. Stephens. The median time from filing of petition to Board decision in FY 70 was 228 days and continued in that range throughout the 70's from a low of 225 days in FY 74 to a high of 295 days in FY 1980. Then, following one low of 193 days in FY 83, the median days climbed to over 300 days during the middle years of the decade of the 80's (except for FY 85 when it was 268). These were the years of turnover among Board membership which resulted in an all-time high in the Board's pending caseload. The Board was concentrating on

issuing its oldest cases which increased the median age of decisions. In FY 89, the Board was able to reduce the median time to 284 days from filing of petition to Board decision, and we anticipate that the time for deciding the small percentage of representation cases that come to the Board will be reduced even more. So far as representation case processing by the Board itself is concerned, the median days from the time the case reaches the Board to issuance of decision has been reduced from 192 days in FY 84 to 128 days in FY 89.

Mr. Conte. What actions has the Board taken to reduce the amount of time it spends reviewing representation cases?

Mr. Stephens. The Board has focussed its attention on reducing its pending caseload, and particularly on issuing decisions in its oldest cases. By employing methods used also with unfair labor practice cases -- more frequent meetings, special oldest cases meetings, "speed-team" procedures, "focus" lists -- the Board today has only two cases more than two years old before it, only seven more than one year old, and only 38 more than 90 days old. These figures should be viewed in the context of the Agency's overall performance in processing representation cases: in FY 89, the Agency conducted 4,352 elections of which more than 4,000 were conducted in less than 80 days from filing to election. The median time from filing of petition to closing of all representation cases was 55 days.

Mr. Conte. What have been the results of those actions?

Mr. Stephens. As noted, the Board now has only seven cases before it more than one year old and only 38 that came to the Board before January 1, 1990. The median days for disposing of representation cases Agency-wide remains at a low 55 days.

Mr. Conte. What percent of the representation cases you handle are union election cases, union decertification cases, amendment of certification cases, and unit clarification cases?

Mr. Stephens. The record kept by the Board concerning its decisions issued are not separated according to those categories.

However, we do have statistics regarding the types of cases filed with the Agency. At the present time, about 79.3% of our representation cases are union election cases, about 14.5% are union decertification cases, about 2.1% are union deauthorization cases, about .4% are amendment of certification cases, and about 3.8% are unit clarification cases.

Mr. Conte. How have these percentages changed over time?

Mr. Stephens. These changes cannot be reported so far as Board decision in particular are concerned. But on an Agency-wide basis, which includes all election cases, we have precise records showing changes in the mix of case types.

The following table (in 5 year spans) shows the ways that the elections have shifted over the past 25 years.

PERCENT OF REPRESENTATION CASES HANDLED BY "TYPE"

	1965	1970	1975	1980	1985	est* 1989
Union Election	93.6%	89.8%	87.6%	80.0%	73.2%	79.3%
Decertification	4.9%	6.2%	8.3%	13.2%	19.9%	14.5%
Union Deauthorization	.8%	1.3%	1.5%	2.4%	2.7%	2.1%
Amendment to Certification	.2%	.9%	.5%	.6%	.3%	.4%
Unit Clarification	.5%	1.8%	2.2%	3.8%	3.9%	3.8%

* Preliminary as of 20 March 1990.

Mr. Conte. Does the Board have a specific goal or timeline in which you try to decide representation cases?

Mr. Stephens. The Board has the same goal for deciding representation cases as for unfair labor practice cases:

Pre-assignment (operative document to assignment)(provided by Board's rules for filing of appeals and briefs)	21 days
Stage I (assignment to tentative oral decision)	21 days
Stage II (drafting written decision)	21 days
Stage III (circulation of draft to final approval)	14 days
Issuance process (conformance, editorial, reproduction)	5 days
	82 days

In many cases, extensions of time for the parties to file appeals and briefs are necessary, and turnover among Board Members has lengthened the time of decision. Issuance of decisions in a median time of about 90 days is the Board's goal.

The above figures do not take into account the Board's "request for review" procedure. In FY 89, the Board's Regional Directors issued 1,029 representation case decisions. These decisions are subject to review by the Board if a party so requests. In FY 89 the Board ruled on 496 requests for review, denying 404 and granting 92. While the median time for such rulings is not kept, the time from filing of request for review to Board ruling in FY 89 in cases in which elections were

pending was approximately two weeks or less, and in cases without elections, one to two months.

Mr. Conte. Of all the cases handled by the Board, what percentage are determined to be meritorious?

Mr. Hunter. The merit factor is the number of unfair labor practice situations determined to have merit expressed as a percentage of the total ULP situations disposed of during the year by dismissal, withdrawal, pre-complaint settlement, and issuance of a formal complaint. In Fiscal Year 1989 35.7 percent of the ULP situations were found to be meritorious.

Mr. Conte. Of those, how many are usually settled?

Mr. Hunter. During Fiscal Year 1989 there were 28,671 situations filed. Also, during Fiscal Year 1989 we settled 8,785 situations which represents 89 percent of our meritorious situations. Because there is some overlap at the end of the fiscal year and the beginning of another, it is difficult to ascertain precisely how many of the Fiscal Year 1989 settlements involved cases filed in Fiscal Year 1988. Perhaps the following chart will indicate with sufficient clarity how many cases handled by the Board are settled:

	No. of Cases Closed	No. of Cases Closed By Settlement	% of Cases Close By Settlement
FY 89	29,501	9,205	31.2
FY 88	30,090	9,390	31.2
FY 87	32,113	9.231	28.7
FY 86	33,450	9,735	29.1
FY 85	33,946	9,667	28.5

Mr. Conte. In your statement you mentioned the Administrative Law Judges try to settle cases whenever possible. How much has the Board saved in litigation costs by using this approach?

Mr. Vincent. Administrative Law Judges play a major role in the settlement process for unfair labor practice cases. Settlements are also actively pursued by Field Attorneys along with the Administrative Law Judges, both before and during litigation. Our Division of Judges reported 572 settlement agreements in Fiscal Year 1989, along with 700 hearings, so that settlements amounted to 45 percent of the 1,272 total proceedings, a figure considerably higher than what was routinely achieved a dozen years ago.

By comparing the time needed to complete an average settlement with what would be needed for the typical completed litigation, we find that it would have taken as much as 72 additional judge-years if all 572 settled cases had instead been litigated.

This would have cost about $6,300,000 in salaries and benefits for the judges alone. Taking into account the costs of field attorneys, witness fees, travel and clerical support, the savings that result from this one year's settlements would probably well exceed a total of

$15,000,000. That figure still leaves out the savings to the other parties in each case, which are not subject to estimation by us, but which could, in total, be close to the amount saved in government costs.

REGIONAL OFFICES

Mr. Conte. Most federal agencies have 10 Regional Offices. Why does the Board have 33 Regional Offices, 17 Resident Offices and 2 Sub-Regional Offices?

Mr. Hunter. There are several reasons why this Agency has a number of Regional and subordinate offices. The General Counsel, who has authority under Section 3(d) of the Act to decide the merits of unfair labor practice charges, has delegated the authority to investigate and issue complaints on merit cases to the 33 Regional Directors. The delegation of this decision-making authority has resulted in the prompt resolution of the vast majority of unfair labor practice cases. A second reason concerns the need to avoid stretching too far the span of managerial control over decision making and case processing. This Agency is committed to handling the tens of thousands of cases which come before it with great care and expedition. These cases typically raise varied and complex issues which can have significant consequences for the parties involved. In many cases, the impact of such cases has a nationwide effect. In spite of the complexities and significance of these cases, we believe we have been largely successful in meeting the high quality and time standards we have established for case processing. This success is due, in important part, to the various management check points we have established through which cases must pass to final decision and resolution. Our Regional Offices are staffed at the top with a Regional Director, Assistant to the Regional Director and a Regional Attorney. So that these top officials can maintain adequate control of case processing, additional Regional Offices have occasionally been created.

Another reason we have dispersed offices throughout the country is to better and more expeditiously handle the labor disputes coming within the Board's jurisdiction. The National Labor Relations Board does not initiate any of the cases that are brought before it - these include, as you know, representation proceedings to determine inter alia whether or not a majority of employees wish to be represented by a union and unfair labor practice proceedings, where individuals, unions or employers allege that unfair labor practices have been committed.

One of the primary reasons why the myriad labor disputes within the Board's province for resolution can be resolved expeditiously is that our offices are located in population centers throughout the country. At these locations individual employees, unions and employers have ready access to the Board's processes. Further, because Regional Offices are proximate to the labor dispute, once

a charge or petition is filed, personnel can promptly be dispatched to these matters. Expedition in the processing of these cases has become the hallmark of our Regional Offices and is not only expected by the labor relations community, but insisted upon by that community.

One final, albeit important, reason for placing offices in or near population centers, is that we can reduce travel expenses and staff down time spent in traveling.

Mr. Conte. What percentage of your cases are handled by the Regional Offices?

Mr. Hunter. We are pleased to be able to inform you that almost 90 percent of the unfair labor practice and representation cases which come before the Board annually (in Fiscal Year 1989 there were 39,828 cases) are resolved by our Regional Offices without formal hearings. Rather, these cases are disposed of informally by these offices; e.g. by dismissal, withdrawal, or by settlement. We find that cases are more likely to settle at the Regional level because of the expedition with which the Regions investigate and decide cases. Thus, the positions of the parties have had less opportunity to harden and the cost of settlement is more likely to be relatively small; e.g., the backpay bill has not had a chance to run up. Another reason that most cases can be resolved at the Regional level is that, because of the quality and promptness of the Regions' casehandling, they have established a great deal of creditability with the labor relations community concerning the decisions which they make.

Mr. Conte. Will any of these offices be changing locations in the near future?

Mr. Hunter. At this time we have no plans to change the location of any of our offices in the near future.

Mr. Conte. A few years ago there was some talk about shifting Western Massachusetts from control of the Boston Regional Office to the Office in Hartford. What's the status of that idea?

Mr. Hunter. Since the Agency determined three years ago to shift certain counties of Western Massachusetts from the Boston Regional Office to what is now the Hartfort Regional Office, there have been no discussions or suggestions concerning such a shift in counties.

APPEALS

Mr. Conte. Of the unfair labor cases disposed, what percent are appealed?

Mr. Hunter. Of the unfair labor cases disposed 12.7% are appealed. See following chart.

APPEALS

	1989	1990	1991
Total R.O. Dispositions	27,277	25,000	26,957
Appeals	3,471	3,231	3,434
Appeals as % of Disp.	12.7	12.9	12.7

Regional Office disposition of non-meritorious cases are accomplished either by withdrawal of the charge by the charging party or by the Regional Director dismissing the charge. Only cases which are dismissed can be appealed to the Office of Appeals. In Fiscal Year 1989, the Regional Offices dismissed, prior to complaint, 9,552 cases. There were 3,471 appeals, which was 36.3 percent of the dismissed cases. In Fiscal Year 1988, the Regional Offices dismissed, prior to complaint, 10,086 cases. There were 3,677 appeals, which was 36.5 percent of the dismissed cases.

Mr. Conte. What is the appeal rate for the Regional Directors?

Mr. Hunter. In Fiscal Year 1989, 3,396 cases were appealed to the Office of Appeals and in 119 cases, which is 3.5 percent of the cases appealed, the appeal was sustained and the Regional Offices were instructed to issue complaint, absent settlement. In Fiscal Year 1988, 3,677 cases were appealed and in 128 cases, or 3.5 percent of the appeals, the Regional Director's decision to dismiss was reversed.

CASE HANDLING SYSTEM

Mr. Conte. Apparently your case handling system is quite good. I understand you've made a video that describes it so that others can replicate the system. Please provide us with a description of the system and its benefits.

Mr. Hunter. As I stated in response to question C-19, approximately 90 percent of the cases filed with this Agency are resolved by our Regional Offices. It is significant to note that these resolutions occur in a median of approximately 50 days. Certainly, when our Regional Offices are fully staffed, they are able to meet all of the Agency's case processing goals set forth in the case management system to which you refer. This case management system is fully described in the attached OPM publications, "Case Management in NLRB's Office of the General Counsel" and "NLRB's Office of the General Counsel - 20 Years of Productivity". The success of this system results from the able - hard work of the employees and managers of our field offices who daily perform the myriad of functions arising out of case processing. An

determine whether any backlogs were building up at any stage of processing, in any Region. Once a problem or potential problem was spotted, the cause was determined, and advice, guidance or assistance was then offered to the field offices to help them in achieving the case management goals.

The results of the combined efforts of our Regional and Washington offices and the labor relations community is that, for virtually the last 30 years, the Agency's field offices have been able to promptly process the tens of thousands of cases which have been filed with them. Given the proper resources, the individuals in the Regions and in Washington, responsible for making this system work so well, will continue their daily efforts to provide the public with careful and expeditious case processing. (See Attachment 2 at the end of the questions.)

FURNITURE & EQUIPMENT

Mr. Conte. Your budget calls for significant expenditures on furniture and equipment. What will this money buy?

Mr. Hunter. The expenditure estimate for furniture and equipment will buy much needed automated equipment, principally personal computers. The National Labor Relations Board has in the past taken a very conservative approach to purchasing computers. Consequently, only about 42% of the employees have ready access to a computer and most of the computers we now have are not yet linked to networks. We have now reached a point where we are confident about our needs and what equipment and software will meet those requirements.

The NLRB is planning to spend approximately $2.5 million on personal computers in FY 1991. This is an increase of approximately $1.5 million over the amount we plan to spend in FY 1990.

The remaining $400,000 will buy such items as telephones and related telecommunications equipment, safety equipment, calculators, time clocks, voting booths, and office furniture.

Mr. Conte. How does the data processing capabilities of the NLRB compare to those of the firms you litigate against?

Mr. Hunter. We believe that most law firms against whom we litigate possess computer based capabilities comparable to those of the NLRB in a number of areas, and superior in many others. These include:

1. Legal research: Virtually every law firm utilizes a computerized legal research service such as WESTLAW or LEXIS in its legal research. Attorneys utilize these services to enhance the depth and quality of their research, to speed the research process, and to serve as a check of research conducted manually.

At present, the NLRB has extremely limited access to computerized legal research, primarily due to cost. A WESTLAW terminal is available in the NLRB main library in

integral part of this management system is the Division of Operations-Management in Washington, which monitors the case processing of our Regional Offices based on various information, including statistical data transmitted to Washington by our field offices.

Each case is managed by stages; that is, time goals are set for each stage through which a case passes. Thus, for example, the first stage of an unfair labor practice case is from the filing of the charge through Regional determination of the merit or lack of merit of the charge. The goal set for this determination is 30 days. After a Region has decided a case it has 15 more days to dismiss the case or obtain a withdrawal if the case has no merit or to issue complaint or obtain a settlement, if the case has merit. Each month, each Region sends to the Division of Administration statistical information showing how many cases were decided and resolved within these time goals and how many cases were decided and resolved beyond these time goals. This information is then computed and transmitted in chart form to the Division of Operations-Management which shares these charts with the Regional Offices. The specific goals which have been established for these various case processing stages, and this exchange of information between the Regional and Washington Offices, provide managers in both locations a means of measuring the Region's performance month by month and year by year. It is important to note that the goals are not absolutes; that is, we recognize that, for perfectly valid reasons, it will be necessary to take time beyond the goals to complete some cases; on the other hand, some cases can and should be completed in less time than the goals.

The system works for several reasons:

1) The labor relations community, over the 30 years the system has been in effect, has been fully advised of the way in which the system works, and their much needed cooperation has been continuously solicited. It is important to emphasize the word "continuously" for we have learned that this system is not self perpetuating it works because all those involved in the system continuously work to make it work. As a result, this Agency has been richly rewarded over these many years by the assistance and cooperation which the vast majority of the labor relations community has given to us in meeting our goals for expeditious case processing.

2) Our managers and employees in the field are dedicated to the proposition that, along with quality, expedition in case processing is an essential ingredient in the successful administration of the Act.

3) The Washington managers, who are responsible for working with the Regions on the case management system, have carefully and continuously monitored the system to quickly

5. Transcript review capability: Upon request, reporters providing transcripts in NLRB proceedings, can supply the transcript on disk as well as in paper form (hard copy). Many law firms possess the capability to utilize software to search the transcripts for names, phrases, ideas, etc. Our Agency has considered the purchase of such software, but has not yet been in a position to make such a purchase because of budgetary considerations.

6. Electronic mail: Most private firms, and our own Agency, possess the capability of transmitting documents in computer memory over telephone lines using a modem.

The Agency's concentration of computer technology appears to lag behind most of the private firms practicing in this field. The word processing capability of the computer is used extensively throughout the Agency, but we are far behind the private law firms in other applications. While we are increasing the concentration of computers among our employees, we have not yet been able to use the computers for applications beyond word processing that are currently being used most effectively by our adversaries in private practice. None of our professionals have direct access to such legal research data bases as WESTLAW, LEXUS, or JURIS. Our library in Washington has access to WESTLAW but restricts its use, for budgetary reasons, to inquiries that cannot be addressed through manual research techniques. In our experience, virtually all of the larger firms have WESTLAW or LEXUS readily available to all their attorneys. Although software exists to use computers to research transcripts, we must still rely on handwritten notes to produce references to the transcript for all our briefs. Many private law firms are presently using computers to do this. We look forward to the day when we have sufficient resources to acquire hardware and software to place our staff in equipoise with private law firms in information processing.

In one area we have achieved some superiority to private law firms. Judging from the bill of costs filed and received in our Appellate Litigation Branch, our printing costs are lower for briefs and appendices filed in the U. S. Courts of Appeals than those submitted by private practitioners. We have achieved this edge because we have an in-house printing office that can produce documents meeting the standards set by the U. S. Courts of Appeals. Many private firms still rely on outside printers.

Mr. Conte. How much of a disadvantage does this create for the NLRB?

Mr. Hunter. 1. Legal research: Our lack of computerized legal research places the Agency at a slight disadvantage, particularly in the most complex cases. In all of our cases, the necessary legal research is manually performed using existing tools. Due to our expertise, lack of computerized legal research is not a disadvantage in many of our cases. In the most complex

Washington which is used by Agency employees for special research projects authorized by top management. Further, a computerized research system is being developed for our Division of Litigation which will make available by index number cases considered by the Division, and also permit the insertion into documents of polished language developed in prior cases. It is expected that this system will be operational in FY 1990 and, if successful, made available to our Divisions in the Office of the General Counsel in FY 1991, budget permitting. Most legal research undertaken by attorneys in Washington and in our Field Offices is of the traditional form utilizing a research system developed by our Division of Advice, Research and Policy Planning Branch, as well as commercial systems such as BNA, West Publishing, and CCH. Also, the Board's research system is in a format compatible to computerization, Our present plans are to make that capability available in FY 1992, budget permitting.

2. Word processing: Most law firms provide word processing capabilities to all of their support staffs and to those professionals who desire it. The NLRB utilizes personal computers for word processing and currently has in place 409 machines in Washington and 417 in the Field Offices. In Washington there are sufficient numbers in place to give word processing capability to the support staff, and to many professionals. The machines in place in the Field Offices are insufficient in number to permit use by professionals in most Field Offices; however, most support staff members possess machines. The NLRB plans to procure an additional 330 machines in FY 1990 of which approximately half will be given to Washington staff and half to the Field Offices. Thus, most Washington based professionals will have access to word processing capability, but more machines will be required in order to give access to all Field Office professionals who desire it.

3. Case tracking systems: Most private law firms utilize computers to monitor their case work and for billing purposes. The NLRB has case tracking capability in Washington through the use of its Casehandling Information Processing System (CHIPS) which provides data for the Agency's annual report to the Congress and to the Washington Divisions. The CHIPS system also provides limited case tracking data to our Field Offices. Their systems are being upgraded to accept more sophisticated software which will increase their case tracking capabilities. This upgrade should be in place by the end of FY 1991.

4. Document handling capability: Cases in litigation which require the tracking and handling of numerous, complex documents often cause private firms to utilize computers to track and assist in retrieval of pertinent information. We do not possess the software necessary to perform this important function, primarily due to budgetary considerations.

cases, or where time is of the essence, a private practitioner may be able to perform relevant research faster than our own attorneys. We have studied expanding the use of WESTLAW or an equivalent vendor but have not been able to do so because of cost. Also, the commercial vendors do not track NLRB cases prior to 1972. However, as our own Agency's legal research systems are computerized, we anticipate being able to provide our staff with a superior legal research capability at lower cost than the systems available commercially.

2. Our current inability to provide word processing capability to all of our professionals who are capable of using it, places the Agency at a disadvantage in producing documents which must meet strict time deadlines. We anticipate that the problem will be remedied in our Washington offices by the end of FY 1990, and in our Field Offices by the end of FY 1991.

3. Case tracking systems: Our Agency's CHIPS system is improved to the point that we are able to timely forward our Agency's annual report to the Congress, and to permit reliable case tracking in our Washington offices. Additional case tracking capability in our Field Offices will be available by the end of FY 1992.

4. Document Handling Capability: If available, we would utilize computerized document handling capability in a small number of cases which require monitoring of hundreds of documents. Accordingly, we are normally not disadvantaged vis-a-vis private law firms in this area.

5. Transcript review capability: We have studied the purchase of software to permit the computerized review of transcripts. There is no substitute for an attorney's careful reading of the transcript which must be performed at each stage of the case - i.e. by the trial attorney, the Administrative Law Judge, by the legal assistant employed by the Board member, and by the attorney in the Division of Litigation if the matter is reviewed by the Federal Appellate Circuit. However, computerized transcript review capability will assist the attorney in finding information more quickly. We intend to purchase software to perform this function, budget permitting. In the interim, we have earmarked our limited funds for the purchase of additional personal computers. We see only a slight disadvantage to our not having the software in place at this time.

6. Electronic mail: As noted we have the capability to transmit documents in computer memory by modem, as do most private firms. Thus, we share in the efficiency inherent in this process.

The principal disadvantage the disparity creates for the Agency is delay in processing available information. While an attorney in private practice may complete a research project more quickly using computer assisted research, our staff will achieve the same result using the more time consuming manual research techniques. An

attorney in private practice may have recent court decisions days ahead of Agency lawyers for this same reason. For example, an attorney in private practice can use a single key on a computer to Shepherdize all cases that he wishes to rely upon, whereas a Board attorney must check each case against all the bound volumes of Shepherd's Citations, to achieve the same result. The computer process would take a matter of minutes; the manual process could take hours. We do not feel we are disadvantaged in the results of our litigation, but to some extent we succeed with bows and arrows against the automatic weapons of our adversaries.

In summary, although the Agency may be at a slight disadvantage vis-a-vis private law firms at present, as noted above, we anticipate that as we implement our computerization program we will forge ahead of our competition in the area of legal research and will draw even in the remaining areas. We anticipate that our computer program will be in place by FY 1993, if funds are made available.

TRUST FUND

Mr. Conte. A bill (S.1949) to amend the Labor-Management Relations Act passed the Senate last November. It would permit parties engaged in collective bargaining to establish and administer trust funds to provide "Financial Assistance for Employee Housing." What is your opinion of this bill?

Mr. Stephens. The Board has traditionally taken the position that in view of the Board's quasijudicial nature it is not appropriate for the Board to comment on pending legislation. We note, however, that S.1949 was passed by the Congress and is pending before the President.

Mr. Conte. My office has been contacted by Congressman Delay, who has some questions that he wants to ask the NLRB. His statement and questions are attached. Please respond.

Statement and Questions
by Rep. Tom DeLay
for the NLRB before the
Appropriation Subcommittee
on Labor, HHS, Education and Related Agencies

The United States Supreme Court, in the landmark decision in Communications Workers v. Beck, 487 U.S. 735 (1988) held that employees can only be required to pay unions for the direct costs of collective bargaining. Beck held that union members cannot be forced as a condition of employment to finance candidates and causes they oppose.

Beck was decided on June 29, 1988. Nevertheless, millions of dollars in compulsory dues continue to pour into federal elections in direct contradiction of the political beliefs of many union members.

The National Labor Relations Board (NLRB) is the agency of the federal government responsible for advising employees of the Beck rights and for enforcing this decision. It is now almost two years after Beck was decided. Unfortunately, the evidence of numerous violations of employees' rights under these decisions is readily available. Yet it appears that the NLRB is part of the problem and not part of the solution.

First, a report issued by the National Right to Work Committee entitled An Investigation of Government Disinformation, claims that in a survey, NLRB provides inquiring workers with incorrect information about their rights under Beck. According to the report the NLRB routinely advises employees that they must be union members, when that is not the case. The Agency also routinely advises that full union dues amounts can be required, even though that is not the case either. In every case of error, NLRB officials ignored the Beck decision by advising workers that they had to pay full compulsory dues.

Second, the NLRB has numerous forms concerning elections, and many other publications that advise employees of their rights. Many of these are in an appendix to the report mentioned earlier. In virtually every instance, the NLRB publications also misadvise employees of their rights and obligations with respect to compulsory union dues.

And third, there are many, many charges before the NLRB involving the most rudimentary questions in the Beck decision. These cases have been pending before the NLRB for a long time without even preliminary decisions having been made concerning whether they have merit. These delays are serious matters of justice and have a substantially adverse impact upon employees' Beck rights.

Mr. DeLay. The National Right to Work Committee issued its report with investigative findings six months ago, and to the best of my knowledge the NLRB has not responded to the conclusions of that report. What actions has the NLRB taken to ensure that employees are not misinformed about their Beck rights by agency personnel?

Mr. Hunter. Following review of the National Right to Work Committee's report, Chairman James Stephens and then Acting General Counsel Joseph E. DeSio sent a letter on September 8, 1989 concerning the issues raised therein Congressman William L. Clay, Chairman of the House Subcommittee on Labor-Management Relations and Congresswoman Marge Roukema, the ranking Minority Member, as well as other members of the Subcommittee. A copy of that letter is attached.

The September 8 letter reflected the results of our inquiring into the purported information-officer responses to questions posed by private investigators hired by the National Right to Work Committee. It was noted that some of the field offices questioned the completeness and accuracy of the purported responses while others either lacked a clear recollection of the exchange or agreed that incorrect or incomplete information was provided. However, simultaneous with the above inquiry and out of a sense of caution, the General Counsel's office decided to direct additional training for field professionals who serve as information officers. Thus, as reflected in the letter, the Agency issued a memorandum on August 10, 1989 to all field offices instructing them to conduct additional training on the Beck decision and related union membership issues. This training was to supplement the training which occurred after the Beck decision issued in June 1988. In addition, all Regional Offices have been instructed to include this decision in its regularly ongoing training program. We believe that this training has helped ensure that members of the public receive correct information concerning this complex issue.

Mr. DeLay. Has the NLRB conducted any studies to determine the impact upon unions employees' rights of the information currently distributed by the agency concerning their Beck rights.

Mr. Hunter. The Agency has not conducted any studies of this kind. However, our goal is to ensure that all Agency publications and information officer responses are complete and correct. Publications are currently being revised with that in mind and, as reflected in the response to question D-1, the Agency has conducted additional training concerning the Beck issues.

Mr. DeLay. For example, does the agency know how many employees would be paying reduced Beck amounts, rather than full union dues, if they have been accurately informed of that right?

Mr. Hunter. We do not have quantitative information on this issue, and note that a number of factors may influence an individual employee's course of

action in this area. Our goal is to see that employees have sufficient information upon which to make a decision.

Mr. DeLay. Does the agency know how much money has been transferred to labor organizations for non-bargaining purposes that would be in employees' pockets if they had been accurately informed of their Beck rights.

Mr. Hunter. As with D-2 A, we do not have quantitative information on this subject. While we want Agency publications and information officer responses to be fully accurate, we also realize that the Agency is not the only source of information to employees concerning their rights in this area.

Mr. DeLay. What written instructions have been given to agency personnel to furnish the public with information concerning Beck rights?

Mr. Hunter. Attached is a copy of an August 10, 1989 memorandum which then Acting Genral Counsel Joseph E. DeSio director be sent to field offices concerning additional Beck training.

Attached also is a November 15, 1988 guideline memorandum from former General Counsel Rosemary M. Collyer to field offices concerning the processing of unfair labor practice charges which raise Beck cases. That memorandum was released to the public and remains in effect.

Mr. DeLay. How are the various forms distributed by the NLRB being revised to reflect Beck? Are these revisions available in final form? Are they available in draft form?

Mr. Hunter. An internal Agency committee prepared, for review by the General Counsel and members of the Board, appropriate revisions of agency publications in light of Beck. The committee carefully studied and debated how best to revise publications to conform them with existing law while not unduly limiting the Board's adjudicative or rule making authority with regard to the multitude of legal issues unanswered by Beck.

This process has been completed. With the exception of one publication, which will be completed by the Government Pringting Office in two weeks, the revisions to all other agency publications have been made and the revised documents will be shipped to the Agency's field offices on April 30.

Mr. DeLay. What are the usual time target deadlines for determining whether charges filed with the General Counsel's office are worthy of complaint?

Mr. Hunter. The General Counsel's office has established an internal target for Regional Offices to make a merit determination (i.e. - whether or not to issue complaint) within 30 days after an unfair labor practice is filed, and to take formal action on the charge (e.g. - dismissal, withdrawal, issuance of complaint, approval of settlement, deferral to grievance arbitration machinery) within 45 days. Those matters

which present complex or novel issues are submitted to the Division of Advice for determination as to further appropriate action.

While the Agency strives to determine all cases as soon as possible, this has to be balanced against the need to ensure that novel or complex cases, such as Beck, receive appropriate consideration. There are about 220 Beck cases pending before the Agency at this time. Many of them involve complex factual or legal issues concerning union obligations to their members in areas such as notification, appeal procedures, and accounting practices. Among other issues are the legality of the literal language of various contractual union security clauses, as well as whether employees may be required to contribute to the cost of international union representational expenses in bargaining units other than the one in which the objecting employee works. No one case can be viewed in isolation. The Division of Advice is currently considering related cases against various labor organizations to determine appropriate further action.

Mr. DeLay. What is the oldest case concerning Beck pending in the General Counsel's office?

Mr. Hunter. A search of our records reveals that the oldest pending cases are Communications Workers of American and Local 4340 (Ohio Bell), Cases Nos. 8-CB-5852, et al, three related cases which were filed in our Cleveland Regional office in June 1986, 2 years before the Beck decision but in anticipation thereof. These cases were placed in abeyance pending the Supreme Court decision. The CWA implemented revised procedures in September 1988 in response to the decision. The Charging Party raised concerns with respect to these revised procedures, among them a concern about the internal method by which the amount of rebate is determined. The Region submitted the cases to the Division of Advice in March 1989, where they are being considered in conjunction with related cases involving CWA procedures. In turn, the issues presented by the CWA cases overlap with issues raised by charges against other labor organizations and are being considered jointly.

To place the above cases in perspective, it should be noted that the majority of the 220 pending cases have been filed within the last year. Complaint has issued in about 15 cases, where the conduct in question fell clearly within the outstanding General Counsel memorandum concerning CWA v. Beck. The remaining cases are either under investigation, have settled or present the kinds of factual or legal issues which require determination by the General Counsel.

IBEW Local 1451 et al (GTE MTO d/b/a/ General Telephone of Pa., 4-CA-16635, 4-CB-5448 et al is the Beck case that has been pending the longest in the General Counsel's Division of Advice. It has been pending there since October 24, 1988. The case involves, inter alia, the issue of whether a union-security clause is unlawful on its face if it fails to affirmatively set forth the

Beck rights of employees. Because of the difficulty and nationwide ramifications of this issue, we have asked the parties and other interested national organizations to give us their views.

Mr. DeLay. What standard is used by the NLRB General Counsel in determining whether charges brought to him are worthy of being sent to the full NLRB to determine whether the law has been violated? Is that standard in writing and is a copy available? Is this standard currently being employed in your evaluation of Beck charges?

Mr. Hunter. In determining whether to issue a complaint so as to place a case before the Board, the General Counsel considers whether it is reasonable, in fact and law, to argue that there is a violation of the NLRA. Although this standard is not formalized in writing, it is the standard that has been used historically by the Office of the General Counsel. It is the standard that is being used in the Beck cases.

Mr. DeLay. Do you agree that Beck cases have been pending too long? If so, what steps are you taking to expedite the handling of these long-pending Beck cases?

Mr. Stephens. The first Beck cases have arrived at the Board and the Board is handling them with dispatch and with faithful adherence to the National Labor Relations Act and to the decisions of the United States Supreme Court.

Mr. Hunter. On November 15, 1988, the Office of the General Counsel issued a Beck memorandum for the guidance of the Board's Regional Directors and the public. Since that time, most of the cases have been administratively resolved within the context of that memorandum. However, as anticipated, there were some issues not resolved by that memorandum. These issues are some of the most difficult, complex and far-reaching that have arisen under Beck. The questions include, for example: whether a union security-clause is unlawful on its face if it fails to affirmatively set forth the Beck rights of employees; whether a union must keep its books on a unit-by-unit basis.

Concededly, these issues have not yet been resolved. However, I think that it is both reasonable and responsible to receive maximum input on these issues and to reflect long and hard on the implications of any particular resolution of these issues.

With respect to your second question, we shall continue to process expeditiously the Beck cases that are covered by the Guideline Memorandum, and we shall process the very difficult issues referred to above as expeditiously as possible.

Attachment 1

EFFECT OF A 1% DROP IN THE SETTLEMENT RATE IN 1986

NOTE: All figures reflect dispositions rates and salaries from 1986.

FIELD:
Total Cs:
before complaint
settlements 7,015

after complaint
adjusted 2,321
hearings 652

$$\text{settlement rate} = \frac{7{,}015 + 2{,}321}{7{,}015 + 2{,}321 + 652} = \frac{9{,}336}{9{,}988} = 93.5\%$$

If the settlement rate dropped by 1% to 92.5%, 9,988 x .925 = 9,239

9,336 - 9,239 = 97 additional complaints to hearing

Change in Professional Staff Requirements

73 fewer settlements before complaint	@ 45.6 =	-1.6 s.y.
24 fewer adjustments after complaint	@ 12.5 =	-2.0
Subtotal		-3.6 s.y.

[s.y. = staff year(s)]
[Each number preceded by @ is a rate per staff year]
97 more hearings after complaint @ 7.8 = 12.4 s.y.
Increase in s.y. requirements = 12.4 - 3.6 = 8.8 s.y.

Clerical requirements = .362 (clerical ratio) x 8.8 = +3.2 s.y.

JUDGES
97 more hearings

Change in Professional Staff Requirements

+31 Settlements (with ALJ hearings)	@ 109.0 =	+0.3
+66 Hearings closed	@ 63.5 =	+1.0
+66 Decisions	@ 7.6 =	+8.7
Subtotal		+10.0 s.y.

Clerical requirements - .374 (clerical ratio 36.7/98.2) x 10.0 = +3.7 s.y.

BOARD
% of judges' decisions going to the Board = 76.4 (from Board balance sheet 717/939)
Number of judges' decision going to the Board = .764 x 66 = 50

Change in Professional Staff Requirements
+50 Board decisions @ 19.6 = +2.6 prof. for clericals .431 (clerical ratio = 38.9/90.2 = case processing support/rated employment) x 2.6 = +1.1 s.y.

APPELLATE COURT
From Table III page 214 dispositions = 39.2% of Board decisions
.392 x 50 = 20
8 dropped before court litigation @ 134.0 = +0.1
12 filed in Circuit Court of Appeals @ 5.8 = +2.1
Subtotal +2.2 s.y.

Clerical requirements = .228 (clerical ratio 14.2/62.2) x 2.2 = +0.5 s.y.

FIELD - COMPLIANCE
% of judges decisions issued = 3.3
% of original Board decisions = 58.7
% of total court enforcement (from G.C. report on Operations) = 82.3

JD	66 x .033	= 2.2
BD	50 x .587	= 29.4
CCA	12 x .823	9.9
	Subtotal	41.5

Change in Professional Staff Requirements
41.5 @ 52.7 = +0.8 s.y.

Clerical requirements = .374 (clerical ratio) x 0.8 = +0.3

Salaries to use (260 day cost)

4/1	12,812
5/1	14,352
11/1	26,291.20
12/1	31,512
16/1	61,089.60

Benefit Percentages (backup and Table V)

Field:

P	10.5
C	13.9

Judges:

P	8.9
C	12.3

Board

P	10.5
C	10.3

Appellate Court

P	11.3
C	12.1

Personnel Cost

	Professional and Clerical Staff Years and Grade	Cost 11 + 12
Field:		
P	8.8 @ GS-11	256,000
C	3.2 @ GS-4	47,000
Judges:		
P	10.0 @ GS-16	665,000
C	3.7 @ GS-5	60,000
Board		
P	2.6 @ GS-11	76,000
C	1.1 @ GS-4	16,000
Appellate Court		
P	2.2 @ GS-11	64,000
C	0.5 @ GS-4	7,000
Compliance (Field)		
P	0.8 @ GS-12	28,000
C	0.3 @ GS-5	5,000
P	24.4	$1,089,000
C	8.8	135,000
	33.2 s.y.	$1,224,000

One Time Furniture and Equipment Cost

Per Don Probst: professional = $1,310
clerical = 1,135 [610 + typewriter 350 - 700]

P: 24.4 x $1,310 = $32,000
C: 8.8 x $1,135 = $10,000

Space Cost

Per Don Probst: professional = 150 sq. ft.
clerical = 75 sq. ft.

Average cost = $ 15.65/sq.ft.

P: 24.4 x 150 x $15.65 = $57,279
C: 8.8 x 75 x $15.65 = 10,329
$68,000

Miscellaneous expenses (see attached): $223,400

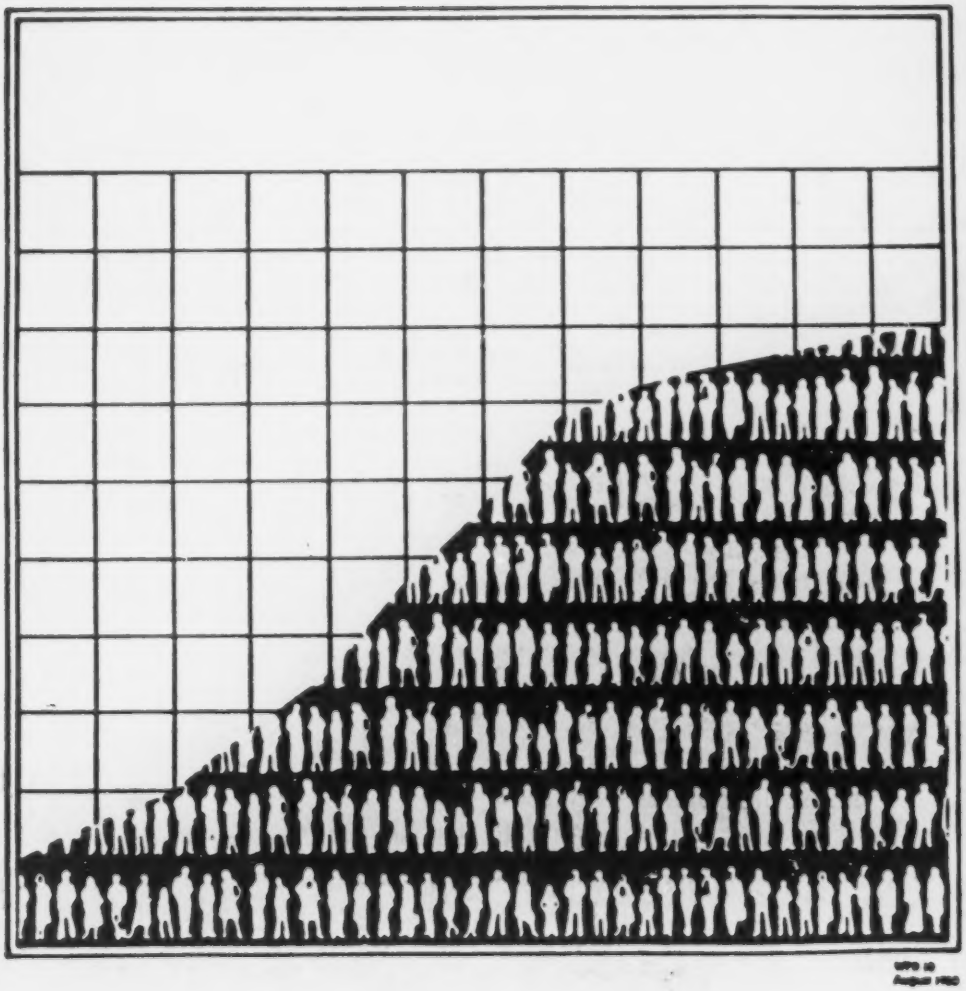
Summary:		
	11 + 12	$1,224,000
	Furniture & Equip.	42,000
	Space	68,000
	Miscellaneous	223,000
		$1,557,000

Attachment 2

United States
Office of
Personnel
Management
Workforce
Effectiveness and
Development
Group

EXEMPLARY PRACTICES IN FEDERAL PRODUCTIVITY

Case Management in NLRB's Office of the General Counsel



United States Office of Personnel Management
Workforce Effectiveness and Development Group

EXEMPLARY PRACTICES IN FEDERAL PRODUCTIVITY

Case Management in NLRB's Office of the General Counsel

The third in a series of publications on Exemplary Practices in Federal Productivity

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Office of Productivity Programs

Program Development Division
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MPR-4
August 1981

Foreword

Exemplary Practices in Federal Productivity

The Office of Personnel Management has launched the Exemplary Practices in Federal Productivity Program to identify, validate, and document improvements in Federal productivity. Once OPM has located and analyzed methods or procedures with outstanding results, it describes the practices in a series of publications distributed throughout government. Designed for use by managers and supervisors, the publications are published and disseminated through OPM's Productivity Resource Center.

OPM's Office of Productivity Programs (OPP) within the Workforce Effectiveness and Development Group (WED) is seeking nominations from Federal managers of projects they have undertaken to improve their organizations' productivity. Many Federal agencies have already conducted productivity improvement projects ranging from total system improvements to specialized adjustments in single processes or work units. Techniques and practices found successful by some Federal managers can be of great benefit to others.

The Exemplary Practices Program has reviewed productivity improvements in capital investment, equipment maintenance, financial and accounting processes, and case management. OPP has received other nominations and is conducting preliminary analyses of them. This study of Case Management in NLRB's Office of the General Counsel is another in this series of publications identifying productivity improvements in Federal agencies. The exemplary practices program will help ensure that the insight and experience gained through new successful productivity practices will be made available to as wide a range of potential users as possible.

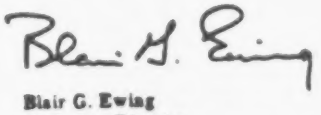

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Table of Contents

Foreword iii

Executive Summary vii

Chapter 1 Introduction: Background and Overview .....
NLRB Administration
Agency Staff and Resources

Chapter 2 The Case Management System 3
Productivity Achievements
Case Handling Procedures
The Case Control System
The Management Information System
Performance Feedback
Assuring Quality Case Work

Chapter 3 Conclusions: Implications for Other Organizations 9

Appendix: Nominations for Examples of Federal Productivity Improvements 11

Acknowledgements 13

Evaluation Form 15

Executive Summary

The National Labor Relations Board (NLRB) administers the law governing relations between labor unions and business enterprises engaged in interstate commerce. The NLRB has two principal functions: (1) to determine and implement employees' choice whether to be represented by a union in dealing with their employers, and (2) to prevent and remedy unfair labor practices by employers, unions, or both. About 90 percent of the 55,000 unfair labor practices and representation cases coming before NLRB annually are resolved informally by the agency's 33 regional offices.

During the late 1950s, processing NLRB cases took unduly long. To reduce delays and backlogs, the Office of the General Counsel developed the "case management system" in 1959 to manage each stage of case handling. Thus, rather than setting an overall goal for processing a case from beginning to end, the General Counsel set interim goals for each stage of case handling. At the same time, NLRB devised an information system to give managers data to evaluate performance and identify problems. The system obtained monthly statistics on the attainment of time objectives and on other important areas of case handling.

Since the inception of the case management system, the NLRB has made marked improvements in its performance. Case processing time has decreased, and the percentage of cases successfully litigated, the percentage of cases settled, and the output per professional have risen. The improvements have taken place during a time in which NLRB's total case intake tripled.

Identifying and establishing interim goals for key elements of a process is a simple yet effective approach for promoting effective performance. When combined with an information system which provides timely performance data to those in positions to make changes, the interim goal approach can result in high productivity improvements. The NLRB's case management system has demonstrated the success of this approach.

Chapter 1
Introduction: Background and Overview

This study presents a program developed and used by the National Labor Relations Board (NLRB) Office of the General Counsel to reduce the time needed to process unfair labor practice and representation cases involving the rights of employees, employers, and unions.

In the late 1950s, the processing of cases took an unduly long time and large case backlogs resulted. The agency's poor performance was widely known. In an address to the Allegheny County Bar Association in Pittsburgh, Pennsylvania, then Senator John F. Kennedy complained of the delay in processing of matters before administrative agencies. He cited particularly the delays experienced in processing a case before the National Labor Relations Board. In response to this situation, NLRB developed (in 1959) the "case management system," a program which has virtually eliminated processing backlogs and placed case handling on a reasonably current basis.

The remainder of this chapter describes NLRB's responsibilities and work. Chapter 2 presents agency productivity achievements and a detailed description of the case management system. Study conclusions are presented in Chapter 2.

NLRB Administration

The National Labor Relations Board is an independent Federal agency created in 1935 (Wagner Act) by Congress to administer the basic law governing relations between labor unions and business enterprises engaged in interstate commerce. The Act has been substantially amended in 1947, 1959, and 1974 with each amendment increasing the scope of NLRB's regulatory powers.

The purpose of the nation's primary labor relations law is to serve the public interest by reducing interruptions in commerce caused by industrial strife. It seeks to do this by providing orderly processes for protecting and implementing the respective rights of employees, employers, and unions in their relations with one another. The overall job of the NLRB is to administer, interpret, and enforce the Act.

In its statutory assignment, the NLRB has two principal functions: (1) to determine and implement, through secret-ballot elections, the free democratic choice by employees as to whether they wish to be represented by a union in dealing with their employers and, if so, by which union, and (2) to prevent and remedy unfair labor practices by either employers or unions or both. The NLRB does not act on its own motion in either function but processes only those charges of unfair labor practices and petitions for employee elections filed in NLRB's 49 regional, subregional, and resident offices.

The Act's unfair labor practice provisions place certain restrictions on employers and labor organizations in their dealings with employees and with each other. Its election provisions provide mechanics for conducting and certifying results of representation elections to determine the collective-bargaining wishes of employees, including whether a union shall continue to have the right to make a union-shop contract with an employer.

In handling unfair labor practice cases and election petitions, the NLRB is concerned with adjusting labor disputes either by settlements or through its quasi-judicial proceedings, or by way of secret ballot employee elections. NLRB authority is divided by law and by delegation between the five-member Board and the General Counsel, all Presidential appointees. The Board primarily acts as a quasi-judicial body in deciding cases on formal records. The General Counsel issues and prosecutes formal complaints in cases leading to Board decisions. He has general supervision of NLRB's nationwide network of field offices.

The NLRB has no independent statutory power to enforce its decisions and orders. It may, however, seek enforcement in the U.S. courts of appeals, and parties to its cases also may seek judicial review. In conducting formal hearings in unfair labor practice cases, the NLRB employs administrative law judges who hear and decide cases. Administrative law judges' decisions may be appealed to the Board by the filing of exceptions. If no exceptions are taken, the administrative law judges' orders become orders of the Board.

Agency Staff and Resources

About 90 percent of the approximately 55,000 unfair labor practice and representation cases coming before NLRB annually are resolved without formal litigation and are disposed of informally by the agency's 33 regional offices. The allocation of agency resources reflects the importance of regional offices.

Operating on a budget of approximately 100 million dollars for fiscal year 1979, the agency employed about 3,500 employees. Approximately 2,000 professional and clerical positions were allocated to the regional offices, 350 to the Board and its Division of Judges, and 900 to the Washington Office of the General Counsel.

Each of the agency's regional offices is headed by a Regional Director responsible for managing the office and for the investigation and initial determination on the merits of the unfair labor practice and representation cases filed in that regional office.

Each regional office is staffed on the basis of its caseload. Non-supervisory professional positions are divided about equally between Field Attorneys and Labor-Management Relations Examiners (Field Examiners) who work on teams of six to eight members. The teams are supervised by either an Attorney or Field Examiner. Administrative matters, case assignment, and case processing are generally assigned to an Assistant to the Regional Director. The Regional Attorney is responsible for legal matters.

Chapter 2
The Case Management System

During the late 1960s, the processing of NLRB cases took an unduly long time. While these delays were recognized by most people associated with the agency, they were concerned that any attempt to shorten the processing time frame might substantially infringe on the rights of parties in cases before NLRB or on the quality of the agency's work. They also realized that telling the staff to work faster without any other efforts and controls would be impractical and probably counter-productive.

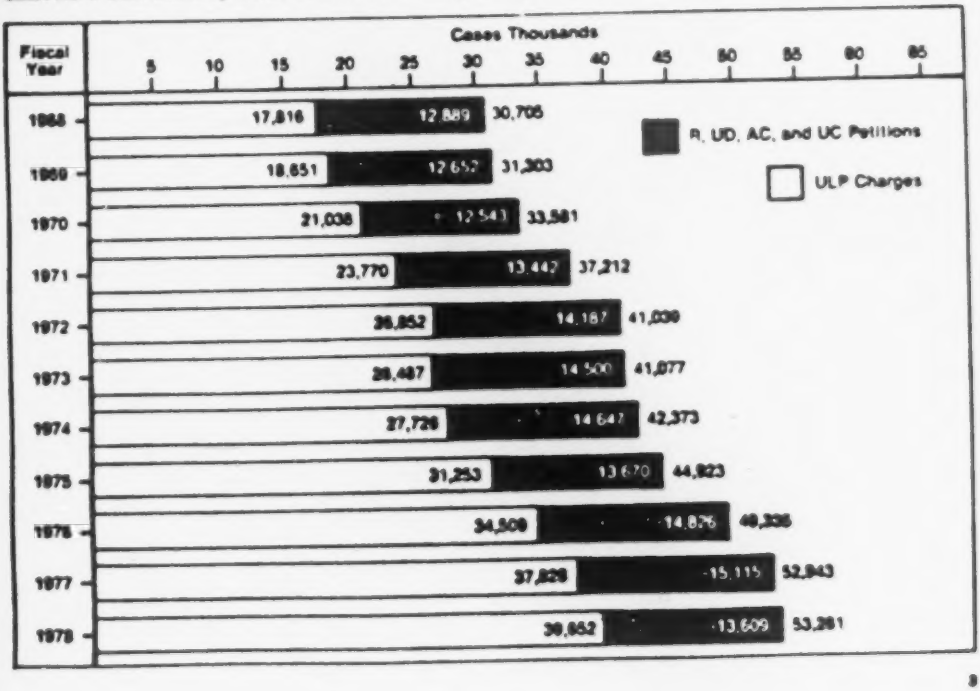
To resolve the delays and backlogs, a concept was developed to achieve greater productivity by managing stages of cases handling. Thus, rather than setting an overall goal for processing a case from beginning to end, interim goals were set for each stage of case handling. This concept is quite simple and is still being used. At the same time this system was developed (1969), NLRB also devised an information system to give headquarters staff and Regional Directors data to evaluate performance and identify problems.

The remainder of chapter 2 presents several NLRB productivity achievements, a detailed description of its case processing procedures, the case control system, and its management information system.

Productivity Achievements

Since the inception of the case management system, marked improvements have been made in regional office performance and in service to the public. These improvements have been achieved during a time in which NLRB's total case intake has tripled. Chart 1 shows case intake by unfair labor

Chart No. 1 Case Intake by Unfair Labor Practice Charges and Representation Petitions



practice charges and representation petitions for fiscal years 1968 through 1978.

NLRB's most dramatic productivity achievements have occurred in processing unfair labor practice cases. For example, the median "age" of cases pending under preliminary investigation dropped 62 percent from 52.5 days in 1958 to 20 days in 1978. Regional offices processed cases from filing of charges to issuance of complaints in a median of 47 days during FY78, a significant decrease over the 1969 average of 116 days. Chart 2 presents data on unfair labor-practice proceedings for 11 years (1968-78).

These are but two examples of the reductions in case processing time achieved under the case management system. Similar improvements have been made in many other aspects of regional office performance—percentage of cases successfully litigated, percentage of cases settled, and output per professional.

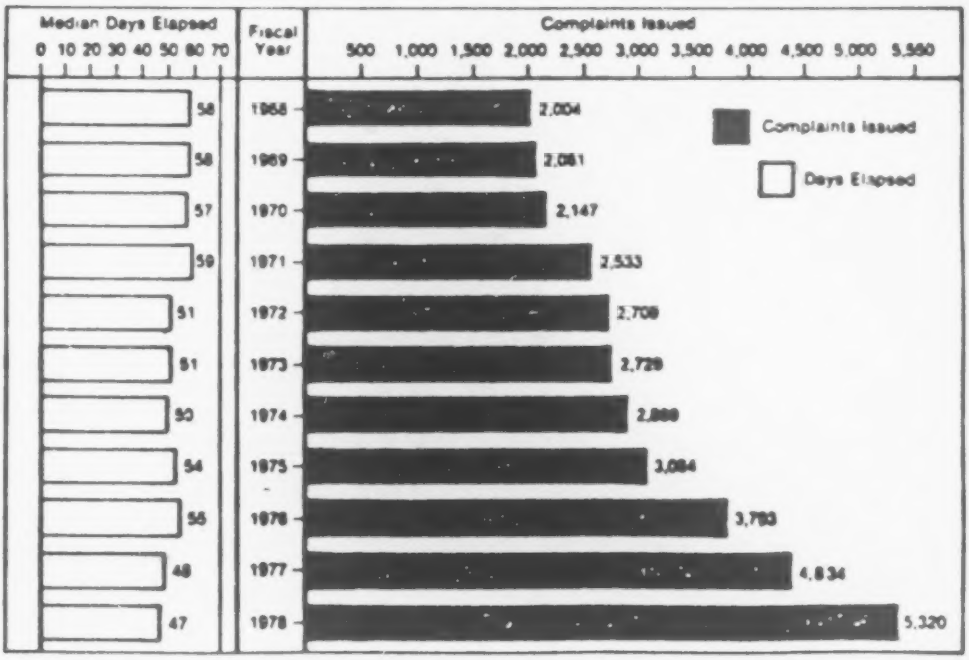
Case Handling Procedures

The statutory processes of the National Labor Relations Act are not self-initiating. Rather, they begin with the filing of an unfair labor practice charge or a representation petition by a person or an organization. While the steps taken in the processing of petitions and charges are quite different, they do have similarities. For example, both proceedings provide for investigation by the Regional Director as to whether to proceed with the case. In fact, most cases are processed to finality in the regional offices without formal consideration by the Board, General Counsel, or the courts.

Unfair Labor Practice Cases

Procedures for processing an unfair labor practice charge begin with the filing of the charge. It is then investigated by a regional office. Upon completion of the investigation, the Regional Director reviews the evidence and the recommendation of the investigator and the supervisory staff. If he concludes that there is sufficient evidence to support the allegations of the charge and the case is not settled, he issues an unfair labor practice complaint and sets the matter for hearing before an Administrative Law Judge. If the Regional Director determines that the charge lacks merit, the charge is dismissed if it is not withdrawn by the charging party. A dismissed charge may be appealed directly to the General Counsel, who may reverse or sustain the Director's decision. If reversed, the matter is returned to the regional office for issuance of a complaint. If the Director's decision is sustained by the General Counsel, the matter is closed.

Chart No. 2 Complaints Issued in Unfair Labor Practice Proceedings and Median Days From Filing to Complaint



At an unfair labor practice hearing before an Administrative Law Judge, the General Counsel is represented by an attorney from the regional office who acts as a prosecutor of the complaint, and all parties are given opportunities to present evidence. Appeal from the decision of the Administrative Law Judge is to the Board.

Representation Cases

A representation case is assigned to a professional employee for investigation. In the absence of evidence warranting administrative dismissal, the professional attempts to get the parties to agree as to the unit in which the election should be held, the complement of that unit, and an appropriate time and place for an election. An agreement for an election must be approved by the Regional Director.

If there is no agreement, the matter is scheduled for a hearing before a Hearing Officer. The Hearing Officer, usually a professional from the regional office, is precluded from making findings of fact or recommendations on the case. After the hearing is closed, the case record is reviewed and a decision is issued by the Regional Director. Any party may appeal this decision directly to the Board. Once the issues involved are resolved by a Regional Director or Board decision, an election may be directed or the petition dismissed.

The secret ballot elections are conducted by an agent from the regional office. Questions as to eligibility of voters at the election are handled through a "challenged ballot" procedure and such ballots become significant only if their number would affect the results of the post-election ballot count. Investigations of objections to an election or of challenged ballots are conducted by the regional offices, and the Regional Director's disposition of these matters can be appealed to the Board.

The Case Control System

With the broad guideline of establishing interim goals for each stage of case processing, NLRB (aided by a time study and the experience of selected headquarters staff members) developed a time for the average case to be processed. Time objectives were set for processing both unfair labor practice and representation matters.

For example, the standard for investigating and determining the merit of unfair labor practice charges is 30 days. The action implementing that decision (whether a dismissal, withdrawal, settlement, or complaint) is to be completed in an additional 15 days. Thus, in an unfair labor practice case in which merit is found by the Regional Director and no settlement achieved, the complaint and notice of hearing is due 45 days after the charge is filed. The NLRB seeks to close the unfair practice hearing in an additional 45 days or within 90 days of the filing of the charge.

The time objectives developed were promulgated and explained at a conference of top field managers. In addition, recognizing that faster case processing would affect the labor practitioners before the agency, NLRB met with representatives of the Bar throughout the country to explain the program and its objectives.

The Management Information System

At the same time that time objectives were established for case processing, NLRB created a Time and Performance Branch in Washington to monitor and evaluate monthly statistics on case handling performance. The branch also evaluated the quality of case handling and fed all the performance information back to the regional offices. Today, these functions are the responsibility of the Division of Operations Management which performs an integral and important role in the Office of the General Counsel's case management system.

This division is located in Washington and is headed by an Associate General Counsel. The remainder of the professional staff is made up of a Deputy Associate General Counsel, six Assistant General Counsels, and six Deputy Assistant General Counsels. The nation is divided into six Districts and, working as a team, an Assistant General Counsel and a Deputy Assistant General Counsel are responsible for the overall operation and performance for one of six Districts. These Districts are drawn on geographic lines and are composed of several regional offices. Thus, one Assistant General Counsel and his Deputy are responsible for the performance of the six regional offices in the northeastern United States.

The performance evaluation system has not changed much since its implementation. Procedures were set up to obtain statistics on the attainment of time objectives and on other important areas of case handling. These statistics are translated into case handling performance areas such as:

- percentage of cases successfully litigated;
- percentage of cases settled;
- the median age of cases pending under investigation;
- the median days to issuance of complaint; and
- the number and percentage of average cases in different stages computed both nationally and by regional office.

Performance factors are monitored closely by the Division of Operations Management and by the Regional Directors. In addition, in order to measure field office productivity, point values have been developed and assigned to different case handling actions. On a monthly basis, these values are totalled and divided by the number of staff available to the Regional Director for case handling. The

result effectively measures both national and individual regional office productivity. The productivity values assigned to the different case handling actions are based on the time required to complete these actions in the typical or average case.

The basic element in the information system is the case dispositions report which is forwarded to Washington monthly and which reflects information on case actions such as the filing of unfair labor practice charges and representation petitions, election agreements, settlements, dismissal letters, and complaints. At the end of each month, regional offices also report a summary of the actions taken and the names, case numbers, and reasons for cases which are overage in a particular stage of case processing.

Performance Feedback

Once data computation is complete, each Assistant General Counsel reviews the performance of the regions in his district. He then forwards his comments and analysis of their performance to each region and, based upon discussions with the directors and Washington officials, suggestions for improvement as well. Briefly then, a Regional Director receives a monthly review of the performance of his office which is available to both the Washington and regional staff. The review identifies areas for improvement and provides a continuum of short-range case handling objectives. The Regional Director also receives a series of charts which, without identifying the standings of other specific regions, reflects his standing in comparison to the others. For example, a chart showing the relative standings and performance of the regions for the issuance of complaints is shown below.

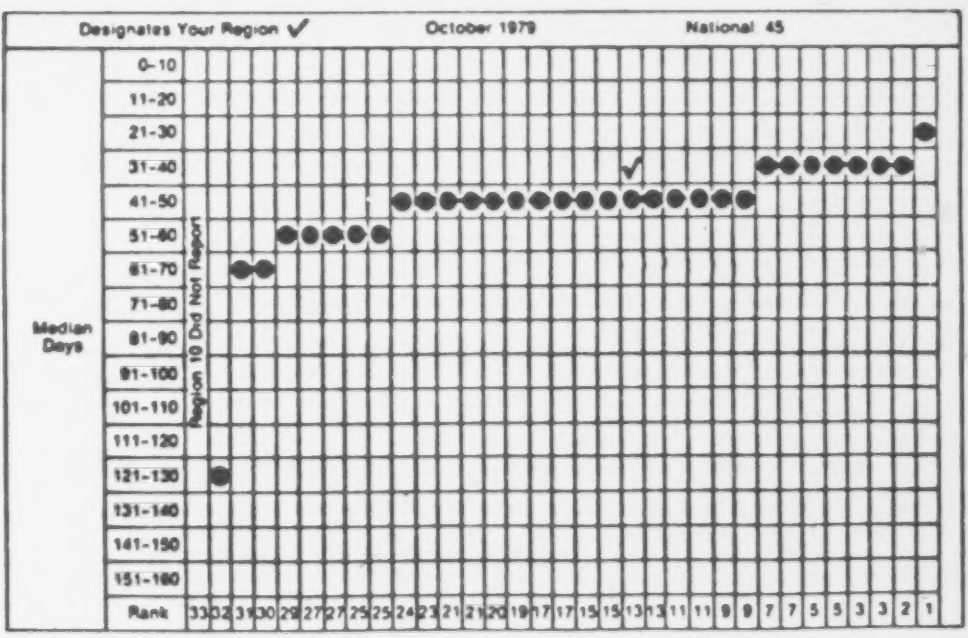
To assure that timely information is available to the Assistant General Counsel and the Regional Director, headquarters makes every effort to complete the tabulation and evaluation quickly and feed it back to the Regional Directors by the middle of the following month.

Assuring Quality Case Work

In addition to monitoring the timeliness of case-handling performance of the regional offices in their districts, the Assistant General Counsel and his Deputy are also responsible for the quality of regional office case work and for the personnel management of these offices. A key element in this overall management responsibility is the frequent visits of regional offices to discuss all aspects of regional office work.

Quality control of regional office performance is the most important aspect of the broad range responsibilities of the Assistant General Counsel. He regularly reviews such matters as settlements, unfair labor practice complaints, and Administrative Law Judge and Board decisions emanating

Chart No. 3 Median Days From Filing of Charge to Issuance of Complaint



from his district. In addition, he reviews certain files submitted to Washington for case handling advice and may, on his visits to regional offices, audit closed case files. The Assistant General Counsel is also responsible for the preparation of responses to Congressional and public inquiries about regional office matters. He maintains current information on the status of significant cases in his district by attending all meetings and conferences in Washington which relate to those cases. Thus, the Assistant General Counsel and his Deputy are intimately involved in all aspects of the work of the regional offices they supervise.

Chapter 3
Conclusions: Implications for Other Organizations

NLRB developed and implemented the case management system in response to case processing delays and poor service to the public. The program (established in 1959) of setting interim time goals for each state of case handling is still being used. The case control system, coupled with NLRB's management information system, has virtually eliminated backlogs and placed case handling on a reasonably current basis. While the agency's workload has tripled over the years, NLRB has steadily reduced its case processing time. For example, the average time to process cases from filing of charges to issuance of complaints has dropped from 116 days in 1959 to 47 days in 1978. Productivity improvements have been realized in other areas including increases in the percentage of cases successfully litigated and the percentage of cases settled.

Identifying and establishing interim goals for key elements of a process is a simple yet effective approach for promoting effective performance. When combined with an information system which provides timely performance data to those in a position to make changes, the interim goal approach can result in significant productivity improvements. The NLRB's case management system has demonstrated the success of this approach.

An organization can derive numberous advantages by adopting NLRB's system. By breaking down complex procedures, it becomes easier to identify problems, make corrections, and monitor results. An additional benefit is the increased ease in measuring overall and individual performance and determining the most effective use of resources. Many applications exist for this approach, however, each organization must decide how to implement the system to serve its own productivity needs best.

Nominations for Examples of Federal Productivity Improvements

The Exemplary Practices Program

The US Office of Personnel Management announced on November 30, 1979 a formal program to identify and document examples of productivity improvement in the Federal government. OPM is asking Federal managers, bureau heads, Assistant Secretaries for Administration and others to actively seek examples that can be documented for study and use by other agencies. OPM will review and substantiate examples that are transferable, and publish the most appropriate ones for use by managers throughout government.

In announcing the "Exemplary Practices in Federal Productivity Program," OPM Director Alan K. Campbell defined productivity as "superior organizational performance, including output per employee and to what degree the output satisfies program objectives". "Put another way," Campbell said, "productivity is concerned with both 'doing things right' and 'doing the right things'; it involves not just how much of a product or service is delivered but also quality, timeliness and responsiveness."

"Our purpose at this time is to find and share what's out there," according to James M. H. Gregg, head of OPM's Workforce Effectiveness and Development Group. "We know that many managers have made improvement over the years, but we need to analyze their results objectively, identify those projects which other managers might use, and simply make the most useful projects available to those persons responsible for improving productivity."

Types of Projects

Federal managers and others are asked to nominate projects, programs or other organizational examples of improved productivity, including instances of efficiency, effectiveness, responsiveness or accountability. Nominations may be in two categories:

(1) Total system improvements – where the total performance of an organization is improved; or,

(2) Unit improvements – where specific aspects of an organization are improved (for example, certain personnel improve their performance, or their work process is made more efficient).

Office of Productivity Programs
Office of Personnel Management
Washington, DC
December 1979

Nominations

To be eligible for consideration, nominations must include:

- Name of the project/program.
- Name of the agency and sub-unit.
- Location.
- Person in-charge and phone number.
- Starting and completion dates (one year minimum).
- Cost and/or number of employees involved.
- Goals and objectives.
- Means of achieving objectives (i.e., process, techniques, equipment, etc.).
- What was achieved (quantitative measures).

Nominations should be limited to 1,000 words or less but previously published materials may be attached.

Rather than have nominees spend undue time and effort on preparing detailed and lengthy nomination forms, OPM encourages agencies/managers to send an informal initial explanation of its proposed exemplary example. We will promptly review your summary and either call or write with an initial review. Nominations chosen for comprehensive review will then be subjected to intensive analysis and documentation, including on-site visits.

Clearances

OPM suggests but does not require that initial nominations be submitted through formal agency chains of command. We will however, if a nomination is submitted for intensive review, ask your Assistant Secretary for Administration for approval to publish the results.

Note: Nominations should be sent to:

Exemplary Practices in Federal Productivity
Office of Personnel Management
Office of Productivity Programs-WED
P.O. Box 14108
Washington DC 20044

For additional details, contact Steve Bryant at the above address or call at (202) 632-7647.

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1. **What is your general reaction to this booklet?**

___ Excellent ___ Above Average ___ Average ___ Poor ___ Useless

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(Please check one on each line.)

	Very Useful	Fairly Useful	Not Useful
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Helping me understand productivity improvement issues	____	____	____
Providing an outline for my own productivity program	____	____	____
Improving my own management skills in general	____	____	____

3. **Do you need further information, training, or technical assistance on productivity? If so, please specify your needs.**

4. **In what ways could this publication be improved? (please specify, e.g. structure, organization, content coverage, other?)**

5. **Please check one which best describes your position:**

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United States Office of Personnel Management

Performance

Vol. 2, No. 1 February 1981

NLRB's Office of the General Counsel

Twenty Years of Productivity

One of the best examples of an organization increasing its productivity and maintaining it over the long run is the National Labor Relations Board (NLRB). Beginning in 1959, its Office of the General Counsel undertook to eliminate delays and backlogs in processing unfair labor practice cases. Its approach not only worked at the beginning but has proved its value for over twenty years.

Significantly, the NLRB's productivity accomplishments took place in the "case management" area. Case management is carried out by many Federal agencies whose workloads consist of claims, complaints, or applications. The NLRB discovered that backlogs and delays often occurred during the steps required to deal with each case and developed the "case management system" to eliminate them. The system itself involves establishing time standards to handle each stage of processing a case and operating a thorough information measurement system to let managers know how they are doing.

As a result of NLRB's innovations, the median age of cases pending under preliminary investigation dropped 62%, (from 52.5 days in 1958 to 20 days in 1978). Regional offices that averaged 116 days in 1958 to process a case from filing of charges to issuance of complaint now do it in a median of 45 days. Still more impressive, the NLRB made these gains during years when its total case intake tripled.

When the NLRB Began

Congress created the National Labor Relations Board with the Wagner Act in 1935. The Board administers the law governing relations between labor unions and businesses engaged in interstate commerce. Its two principal functions are to determine and implement through secret ballot elections whether or not employees wish to be represented by a union and, if so, by which union, and to prevent and remedy unfair labor practices by employers or unions or both.

How the NLRB Operates

The NLRB's authority is divided between a five-member Board and the General Counsel, all Presidential appointees. In addition, it employs administrative law judges who hear and decide unfair labor practice cases. Charges of unfair labor practices may be filed in NLRB's regional, subregional, or resident offices.

The NLRB's operations place great importance on the role of regional offices. Operating on a budget of approximately 100 million dollars for FY 1979, the agency employed about 3,000 people, with 2,000 assigned to the 33 regional offices, 350 to the Board, and 600 to the Washington Office of the General Counsel.

The regional offices are staffed according to their caseloads and are headed by Regional Directors. Next in line are the Regional Attorneys and the Assistants to the Regional Directors, the former supervise the legal work and the latter the investigative and election work of the region. First level supervision is carried out by attorney and field examiner supervisors who head teams of six to eight professional employees classified as either field examiners or attorneys. The staff of the regional offices is divided about equally between field examiners (who perform investigative work and election work including holding certain hearings) and attorneys (who litigate unfair labor practice cases in addition to investigative and election work).

The Regional Directors are responsible for managing the offices. They also decide the merits of unfair labor practice charges and representation petitions.

Once an unfair labor practice charge is filed, a team member investigates the case and performs a legal analysis. He or she then makes a recommendation which is

reviewed by the team supervisor, the Assistant to the Regional Director and/or the Regional Attorney before it goes to the Regional Director. If the Regional Director concludes that the charge has merit (and the case has not been settled), the Director authorizes issuing an unfair labor practice complaint. Once a complaint is issued, an Administrative Law Judge holds a formal hearing. The Judge's decision may be appealed to the Board and further actions or appeals may take place before the U.S. Courts of Appeals or, in a small number of cases, the U.S. Supreme Court.

If the Regional Director concludes that the charge lacks merit and the party making the charge does not withdraw it, he or she will dismiss it. Dismissals may be appealed directly to the General Counsel in Washington. If the General Counsel reverses the decision, the matter goes back to the regional office to issue a complaint. If not, the dismissal stands.

In the late 1950s, the NLRB experienced delays in processing its cases. In a speech to the Allegheny County Bar Association in Pittsburgh, Pennsylvania, then Senator John F. Kennedy singled out the delays in processing a case before the NLRB as an example of the adage "justice delayed is justice denied." Under both internal and external pressure, the NLRB's Office of the General Counsel began looking for a way to solve the twin problems of time delays and backlogs.

Building the Case Management System

The OGC began its work with the broad guideline of establishing interim goals for each stage of case processing. Associate General Counsel Joseph T. DeSio, who has been with the NLRB since the system's inception, describes it as "really one of management-by-objectives. We took the case handling pipeline, broke it into its major stages, and determined what goals or objectives we wanted for each." Aided by a study of case handling and the experience of selected staff members, the NLRB settled on a time in which an average case should be processed. It determined that the standard time for investigating and determining the merit of an unfair labor practice charge is 90 days. Once the merit has been determined, any action implementing that decision (withdrawal, dismissal, settlement, or complaint) should be completed in an additional 15 days. Thus, the issuance of a complaint and notice of a formal hearing is due 45 days after the charge is filed. The NLRB seeks to close the hearing in an additional 45 days or 90 days after the charge is filed.

Once the standards were determined, the NLRB convened a meeting with its top field managers to discuss them. At the same time, it prepared an information system to measure progress and tell its managers periodically how they were functioning against the standard. According to Mr. DeSio, "We not only set the objectives—we measured them on a continuing basis." The success of the NLRB's regional casehandling measurement system is even more apparent twenty years after its start.

Regional Data Base and Statistical Reports

The NLRB created a unit in Washington to gather data and compile monthly statistics on regional offices' case-handling performance. Today, the statistical functions are the responsibility of branches within the Division of Administration in the Office of the General Counsel.

The Statistical Services staff receives case dispositions, staffing, and overage case reports monthly from each region. The Data Systems Branch receives monthly reports on objections and challenges, initial elections, and injunctions. From such data, these offices tabulate and prepare summary reports for headquarters and regional management. The reports include:

- percentage of cases successfully litigated;
- percentage of cases settled;
- median age of cases pending under investigation;
- median days for issuance of complaint, for issuance of Regional Director's decisions in representing cases, for conduct of representation elections, and for issuance of reports on objections and challenges in representation cases;
- number and percentage of overage cases in different stages computed both nationally and by regional office; and
- the average productivity per professional by regional office.

The NLRB's system is similar to other Federal measurement systems in that it focuses on "aggregate" productivity by each office. The NLRB does not attempt to use the system to measure productivity of individuals, however, since regional offices submit monthly data on caseloads, backlogs, and staffing; the data can be divided by the number of employees to get the average productivity data.

Headquarters Monitoring Regional Performance

OGC's Division of Operations Management reviews the statistical reports and charts prepared by the Division of Administration to determine how well the regions are meeting various performance goals. Six Assistant General Counsels within the Division of Operations Management oversee six Districts comprised of five to six regional offices. Based on their review of the statistical reports and their knowledge of the regions' operations gained by regular telephone conversation with top regional officials as well as periodic visits, the Assistant General Counsels send the reports and their comments and suggestions for improved performance to the regions monthly. The Washington office seeks to mail the reports back to the regions by the middle of the month following the reporting, so both headquarters and regional personnel work with the latest information.

The regions receive statistical charts that identify where each stands in the range of the national performance. Figure 1 provides an example of such a chart.

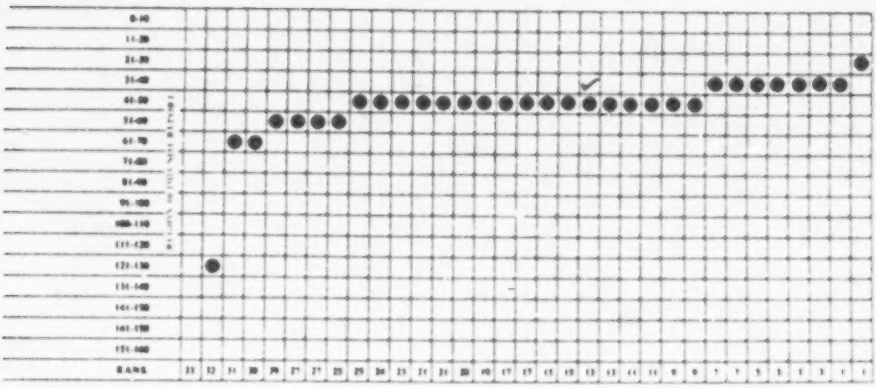
Figure 1

MEDIAN DAYS FROM FILING OF CHARGE TO ISSUANCE OF COMPLAINT

Designates Your Region ✓

National 45

OCTOBER 1979



The regions other than the one receiving the chart are not identified; the anonymity reduces the potential for the offices to engage in a statistical competition.

Computing Regional Productivity

The primary source documents used to compile productivity data are the regional case dispositions and staffing reports. (Figures 2 and 3 are abbreviated examples of these reports). The case dispositions report provides the data to calculate the total number of work units produced by the region each month, and the monthly staffing report provides information to determine the total number of work days available for case work.

The regional staffing report lists such items as the total number of professionals and clericals on the staff at the end of the month, the number of professionals with less than four months' experience (they are deducted from the available staff), the number on detail to Washington or other regions, the amount of leave, the time professionals spent working on other region's cases, administrative work, or special projects (e.g., training), the days spent on travel, and other information to give a clear picture of the staff hours available for case work. Once the staff time is computed, it is divided by the number of working days in the month. The result is the amount of professional days available for case work.

For example, if a region reports 35 professionals on the staff at the end of August, the number would be multiplied by 21 working days to get a total number of 735 days available for case work by professionals. The days reported spent on leave or work such as details are subtracted from the total, leaving an adjusted total of 702 days. This figure is then divided by 21 working days to get an adjusted staff figure of 33.4.

The case dispositions report shows the number of various case actions taken by the region during the month. For example, the report will show the number of cases dismissed, settled, or withdrawn; the number of complaints issued; unfair labor practice hearings closed; and the number of investigations completed. Headquarters and regional personnel have jointly established point values or weights for each of the stages of case processing listed on the case dispositions report. The weights are based on estimates of the approximate time it takes to process the mythical "average" case through a particular stage. For example, to process a case through dismissal — 29 hours; through pre-complaint informal settlement — 34 hours; and through close of unfair labor practice hearing — 90 hours. The total output is obtained by multiplying the weights assigned to the various stages of case processing by the number of the particular case actions taken (6 dismissals multiplied by a weight of 29 = 174).

The resulting figures for all of the case dispositions recorded on the report are added. Units of output per professional are found by dividing the month's total output by the staff figure. The results are shown in one of the performance charts which go to each region monthly.

Figure 2

Regional Case Dispositions Report Region ____

Situations or Proceedings

Month	Intake & Investigations			Pre-Complaint Situations Disposed of by the Following Actions				Post-Complaint Situations Disposed of by the Following Actions				
Weights				29	25	34	36	40	38	46	54	42
	investigations pending at beginning of month	intake	investigations completed	dismissal letter issued	withdrawal request approved	informal BD settlement approved	non BD settlement or oral agreement approved	dismissal letter issued	withdrawal request approved	informal BD settlement approved	formal Board settlement in Washington	non BD settlement or oral agreement approved
Jan												
Feb												
Mar												
Apr												

Ensuring Quality

Because delay in resolving the disputes brought before the National Labor Relations Board or any adjudicatory authority frequently results in a denial or at least in a diminution of the quality of justice, the operational goals of the case management system are an important factor in ensuring quality of work. Nevertheless, to avert time goals becoming an end in themselves, the Division of Operations Management continuously reviews the work of the regional offices to determine if investigations are complete, legal analysis is adequate, and other work is in accord with high standards of quality. Staff members regularly visit regional offices to review case files and also review a wide variety of casehandling documents the regions send to Washington.

Further, the regions' performance in meeting the time targets are measured on the basis of medians. The system itself recognizes that there will be overage cases because of the unavailability of witnesses or other factors that cannot be handled within the established time frames. The system provides regional managers and supervisors with the flexibility to accommodate such situations.

SES Appraisals and the Case Management System

The information resulting from the system has been incorporated into one of four critical elements used in the SES Appraisal System for Regional Directors. While many factors are considered in judging the performance of top regional managers, the regions' achievements in reaching the various operational goals established by the system are important components.

Over the Long Run

While the NLRB's case management system has long been established, the agency has learned, particularly in view of its ever-increasing caseload, that it is not self-perpetuating. Both the Division of Operations Management and the regional offices must pay constant attention to the myriad casehandling problems, periodic staffing imbalances, and other difficulties to keep the system running smoothly. With this care and attention, a nationwide organization charged with a complex mission is able to process thousands of cases essentially within its time objectives.

While the NLRB's system measures productivity, its primary focus is the time goals which are carefully monitored to ensure that cases are promptly processed. The NLRB has found that, as a corollary to processing cases within its established time frames, backlogs have not developed and cases are processed expeditiously despite an increasing workload.

Overall

NLRB's Office of the General Counsel case management system has proved a simple, yet effective approach to removing backlogs and processing cases quickly and thoroughly. Besides ensuring that the public receives prompt, efficient service, the system demonstrates that

Figure 3

Regional Staffing Report

Report for month of _____

To: Division of Operations Management **FROM: Region** _____

	Atty	Exam	To be filled in by region	For Washington use only
1. Number professionals on staff at end of month				
2. Number working days professionals who transferred out of region or resigned during the month were available for work				
3. Number working days professionals newly hired or transferred to region during the month were not available for work				
4. Number working days professionals were detailed to Washington or another region				
5. Number working days professionals were detailed from another regional office or Washington to assist your region				
6. Number working days professionals spent on leave				
7. Number working days professionals spend on another region's cases				
8. Number working days professionals spent on providing assistance and information activities				
9. Number working days professionals spent on special projects assigned by Washington to your region, national emergency elections, or teaching or training activities, and administrative leave due to weather or time lost due to closing of office				
10. Number clericals on staff at end of month				
11. Number days professionals spent on travel during regular workdays				

combining an information system that provides timely performance data to decision-makers with an intermediate goal approach offers managers a solid grip on their operations. Mr. DeSio says, "I firmly believe that the basic concepts of this system are applicable to a variety of other agencies in related fields. However, for the system to work most effectively, it is important that the staff be involved as broadly as possible in the development of the system so that they will be committed to its success upon implementation."

Stephen N. Bryant
Program Analyst, Program Development Division
Office of Productivity Programs, WED

other contributions by Mary Bentley
Measurement and Analysis Division
Office of Productivity Programs, WED

For More Information on NLRB's Measurement System

OPM's Measurement and Analysis Division has prepared a study analyzing and describing the NLRB measurement system. Single copies of the document will be available through the Productivity Resource Center, Office of Productivity Programs, WED, P.O. Box 14108, Washington, D.C. 20044. Telephone (202) 632-6151. Bulk copies will be stocked for sale by the Superintendent of Documents, Government Printing Office, Washington, D.C. 20044.

NLRB As an Exemplary Practice

OPM has launched the Exemplary Practices in Federal Productivity Program (EXPs) to identify, validate and document improvements in Federal productivity. Once OPM has located and analyzed methods or procedures with outstanding results, it describes the practices in a series of publications distributed throughout government. Designed for use by managers and supervisors, the documents are published and distributed by OPM's Productivity Resource Center.

The Office of Personnel Management has designated the NLRB's Office of the General Counsel case management system an exemplary practice in Federal productivity. Its full report on the system was published in August, 1980. Single copies of the report and other EXPs are available from the Productivity Resource Center, Office of Productivity Programs, WTD, P.O. Box 14108, Washington, D.C. 20044. Telephone (703) 632-6151. Bulk copies may be obtained from the Superintendent of Documents, Government Printing Office, Washington, D.C. 20402.

Other Exemplary Practices

San Antonio's Air Logistics Center's Productivity Improvement Program Kelly Air Force Base, Texas

With the mission of providing world-wide logistics support to Air Force aircraft, Kelly Air Force Base began a number of programs to increase their productivity. Projects included developing more accurate and reliable labor standards, improving the work environment and increasing employees' level of responsibility, funding prototype projects for improving procedures, launching an award program to instill employee competition and operating a well-publicized suggestion program. The base's accomplishments were marked improvements in almost every aspect of the work.

USDA's National Finance Center

The Department of Agriculture has traditionally handled all of its administrative processes in a decentralized manner. In the last twenty years, however, USDA has begun a new processing program using computer technology and a centralized approach. In 1971, the department established the National Finance Center in New Orleans, Louisiana, to improve financial management information and also to devise more efficient processing functions to reduce the resources required for administrative activities. The Center has been markedly successful. In the past five years, it has doubled the number of documents processed per staff year.

HUD's Performance Improvement Project

After problems with backlogs and clerical errors in its Office of Finance and Accounting, HUD implemented a performance improvement project. The project's basic principle is that workers respond to positive reinforcement for good performance. Coupled with the reinforcement is a performance measurement system using simple forms maintained by the workers themselves. As the performance improves, managers and supervisors are responsible for the review of the performance data with the individual worker. The reviews allow the supervisor to reinforce and encourage workers who are meeting their goals and help those who are not. HUD's approach produced marked improvements in several work units. The experience has been so successful HUD is expanding it into other work units.

DOD's Productivity-Enhancing Investment Funds Program

Established as a supplement to the traditional DOD budget and procurement process, the program makes special "grant funds" available for low-cost, quick-return investments. The funds, divided among the three DOD service branches, become fast payback investment capital to be used essentially for small equipment purchases that will save labor and material at military installations. All the purchases are to produce savings equal to or greater than their original costs within two years. The savings are not paid back in actual dollars, but appear in lowered staff or budget requests or as increased workloads.

Technology and Productivity: Profiles of Eight Nominees for Exemplary Practices in Federal Productivity

Describing projects nominated but not chosen as EXPs, the document covers a variety of technological improvements such as micrographics, photographic and automated financial management and personnel systems. All the projects promoted productivity as measured by morale and savings in the originating agencies.

EXPs Under Review

The following descriptions are of some of the projects nominated as possible Exemplary Practices. OPM received over eighty nominations during the first year of the program; the following projects are under active review.

Performance Contingent Reward System
Navy Personnel Research and Development Center
San Diego, California

The Navy Personnel Research and Development Center has developed a monetary incentive system and tested it with keypunch operators in six Navy shipyards. The success of the incentive plans in five of the six sites in increasing productivity from ten to forty percent has led to the development of a model program. Called the Performance Contingent Reward System, the model is based on a revised version of the expectancy theory of motivation. It is now being tested in projects involving word processing machine operators, supply clerks, and aircraft mechanics.

Quality Circles
Norfolk Naval Shipyard
Portsmouth, Virginia

After a pilot program with nine quality circles, the Norfolk Naval Shipyard, the largest in the Naval Sea System Command, has expanded to 44 circles. Because of ideas developed by the original nine circles, the shipyard has realized tangible savings of $220,000. The circles are an effort to bring workers into quality control and help improve work processes and products. Quality circles have also proved successful in the American private sector.

Management Consultation Process
U.S. Air Force

The Management Consultation Process was developed by the Air Force to improve the leadership skills of supervisors and the quality of worklife for all personnel. The process involves sending a team of Air Force consultants to requesting organizations to conduct organizational analyses and subsequent on-site consultation and training.

Do You Have an EXP?

OPM is looking for other possible EXPs and is requesting Federal managers to let us know of innovations in your organizations that have increased productivity. Once a nomination is in, OPM will review and substantiate examples that are transferable, and publish the most appropriate ones for use by managers throughout government.

OPM is interested in examples of projects, programs, or other organizational examples of improved productivity, including increased efficiency, effectiveness, responsiveness, or accountability. Nominations may be in two categories: (1) total system improvements, wherein the total performance of an organization is improved, or (2) unit improvements, wherein specific aspects of an organization are improved.

If you have a nomination, please include:

- name of the project or program
- name of the agency or sub-unit
- location
- person in charge, and telephone number
- starting and completion dates (one year minimum)
- cost and/or number of employees involved
- goals and objectives
- means of achieving objectives (i.e., process, techniques, equipment, etc.)
- achievements (quantitative measures).

Nominations should be limited to 1,000 words or less but previously published material may be attached. OPM suggests but does not require that initial nominations be submitted through formal agency chains of command. If not, we will ask your Assistant Secretary for Administration for approval to publish the results of a nomination submitted for intensive review.

Submit your nominations to:

Exemplary Practices in Federal Productivity
Office of Personnel Management
Office of Productivity Programs, WED
P.O. Box 14108
Washington, D.C. 20044

For additional details, write to Steve Bryant at the above address or call (202) 632-7647.

Observing and Recording Employee Performance

Implementing a successful agency performance appraisal plan requires thorough, accurate and fair analysis of employee performance. In a May 1980 article on performance appraisal, *Performance* suggested that supervisors should periodically record employee performance to ensure they consider overall performance rather than only recent events which are freshest in the memory. The article suggested using notes or "drop" files that contain periodic summaries of performance, work samples, and employees' self-analyses. All are good suggestions.

To carry out these suggestions, however, supervisors must be cautious in maintaining their records and the methods they use should be fully and specifically prescribed by agencies. Also, with the advent of the Privacy Act, *all* supervisors must be aware of their responsibilities for safeguarding sensitive employee records.

To emphasize the need for specifics in record-keeping and to provide some parameters within which performance records may operate, OPM is establishing an Employee Performance Folder (EPF) system for maintaining performance-related documents. The EPF will be a companion but separate record with the Official Personnel Folder (OPF). Regulations and a Privacy Act System Notice for the EPF will be completed early in 1981. The system includes both performance-related records maintained by supervisors at the work site and those currently maintained with the Official Personnel Folder in the personnel office. Although an agency has the option to maintain all records in the EPF, implementing a successful performance appraisal plan may require that at least during the appraisal period) that supervisors maintain some records at the work site. Thus the EPF system provides guidance so that employee Privacy Act rights are fully observed.

An important legal distinction must be made between a record that is a *personal memory aid* of the supervisor and an *agency-controlled record* that the supervisor is maintaining. The necessity for this distinction stems from law (the Privacy Act of 1974), from ethics (i.e., the employee should know what the agency is recording regarding his or her performance), and from recognizing that a memory aid, properly maintained and used, is an important and legitimate management tool.

The EPF system defines a personal note as one that is maintained solely for the use of the author, is not circulated to anyone else (including the supervisor's secretary), and is not under the control of the agency (i.e., is not required by the agency and may be retained or destroyed solely as the author sees fit). Such a note or record complies with the Privacy Act of 1974 in that the Act speaks of agency records rather than personal notes of agency employees (see OMB guidelines implementing the Privacy Act, published in the Federal Register, Vol. 40, page 28952, July 9, 1975). It is not unfair to the employee since it serves to remind the supervisor to work with employees to assess performance rather than let declining or improving performance go undiscussed. Losing such opportunities for aiding poor performance or commending good work could possible harm employees in that they could receive unsatisfactory ratings or lose opportunities to achieve outstanding appraisals. In addition, it provides the supervisor with the freedom to develop a useful tool, as circumstances of positions and employees warrant, and use it as an aid in improving employee performance whenever possible.

To make sure employee rights are observed, agencies should describe what records are under their control and whether they are maintained by supervisors at the work site, in the personnel office, or a combination of both. Generally, this description will be contained in the agency's performance appraisal plan or implementing instructions. Any agency-controlled documents fall under OPM's EPF Government-Wide Privacy Act system and are subject to its issuances. It is the agency's option to stipulate whether supervisors' personal notes are themselves part of the agency's internal records system. If so, they are bound by Privacy Act rights. If not, within the boundaries of the EPF definition, supervisors may exercise their ingenuity to ensure they evaluate employee performance fairly over the full appraisal period.

For more information on the EPF system, write Dr. Philip A.D. Schroeder, Deputy Assistant Secretary for Work Force Information, Agency Compliance and Evaluation, OPM, 1900 E St., N.W., Room 5465, Washington, D.C. 20415. Telephone calls should be made to William H. Lynch, Information Specialist, at (202) 254-9790, 9793.

William H. Lynch
Information Specialist
Agency Compliance and
Evaluation

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Federal agencies may obtain bulk copies of **Performance** at reduced rates by sending a printing and binding requisition to the Government Printing Office, referencing OPM printing requisition No. 81-43 for FY 81.

Performance is published eight times a year by the Office of Personnel Management, Workforce Effectiveness and Development Group, Washington, D.C. 20044. Send inquiries to Jane Gill, Editor, **Performance**, Office of Personnel Management, Workforce Effectiveness and Development Group, P.O. Box 14108, Washington, D.C. 20044, or telephone (202) 632-7687.

Attachment 3

UNITED STATES GOVERNMENT
NATIONAL LABOR RELATIONS BOARD
Washington, D.C. 20570

September 8, 1989

Honorable William L. (Bill) Clay
Chairman
Subcommittee on Labor-Management Relations
2451 Rayburn House Office Building
Washington, DC 20515

Honorable Marge Roukema
Ranking Minority Member
Subcommittee on Labor-Management Relations
2101 Rayburn House Office Building
Washington, DC 20515

Dear Chairman Clay and Congresswoman Roukema:

As you may be aware, the National Right to Work Committee (NRWC) recently published a study entitled "An Investigation of Government Disinformation." This report purported to survey the effectiveness of our field offices in responding to public inquiries concerning the legal rights of employees regarding union dues, initiation fees, and membership obligations. Because of the attention which this matter received in the media, we want to share with you and other members of the Subcommittee on Labor-Management Relations some information about the issues raised in the report and about the Agency's response to the report.

The report reflects that a private investigation firm, hired by the NRWC, made calls to 48 Agency field offices and posed certain questions to the information officer on duty relating to the obligation of an employee subject to a union security clause to join a union and/or the obligation to pay dues and fees. Upon receiving the report, the General Counsel's office promptly transmitted copies to each Regional Office for review and comment. Out of a sense of caution, the General Counsel's office also decided to direct additional information-officer training on these issues to ensure that consistently accurate and complete information is conveyed to the public.

With this in mind, the Agency issued a memorandum to all Regional Offices on August 10 requesting that they conduct additional training on the Supreme Court's 1988 decision in Communication Workers of America v. Beck and related union membership issues. This training would supplement the training which the Regions had already conducted on these subjects. A key part of this training is a careful review of the memorandum which former General Counsel Rosemary M. Collyer issued on November 14, 1988, to Regional Offices containing guidelines on how to handle Beck-related cases. That memorandum remains in effect. A copy is enclosed for your reference. Regional offices, under the supervision of the Acting General Counsel, are currently processing numerous such cases arising pursuant to this memorandum, some of which may reach the Board for decision.

The NRWC report also raised questions about the accuracy of those portions of Agency notices and publications which deal with membership and dues obligations. At the time this report issued, the Agency was already in the process of reviewing its various notices and publications with the intention of modifying them, where appropriate, to conform to existing law. We are continuing this process with the goal of having the notices and publications present clear and accurate information concerning employee rights and obligations. This review should be completed in the near future.

Our August 10 memorandum also asked the Regional Offices to verify where possible the accuracy of the NRWC report concerning information-officer responses to questions presented to them. Some of the Regional office responses questioned the completeness and accuracy of the answers attributed to the information officer; other responses either reported that the information officer did not have a clear recollection of the inquiry or in some cases agreed that incorrect or incomplete information was given. Regardless, we believe that the steps described above will serve to ensure that complete and accurate information will be conveyed to the public. Finally, we wish to emphasize that this Agency and its employees are committed to effective enforcement of the National Labor Relations Act.

We hope that the foregoing information will be helpful to you and the Subcommittee. Please know that the Agency will be pleased to respond to any questions which you or the Subcommittee may have.

Sincerely,

James M. Stephens
James M. Stephens
Chairman

Joseph E. Desib
Joseph E. Desib
Acting General Counsel

Enclosure

OFFICE OF THE GENERAL COUNSEL
Division of Operations-Management

MEMORANDUM OM 89- 81 August 10, 1989

TO: All Regional Directors, Officers-in-Charge, and Resident Officers

FROM: William G. Stack, Acting Associate General Counsel

SUBJECT: Dealing with Informational Inquiries Concerning CWA v. Beck ___U.S.___, 128 LRRM 2729 (June 29, 1988).

In Memorandum GC 88-14, November 15, 1988, instructions were issued to you which set forth the guidelines pursuant to which cases arising out of the U.S. Supreme Court's decision in CWA v. Beck, supra, should be investigated and handled. Under separate cover, by express mail, you have been sent "An Investigation of Government Disinformation (A Study Authorized by the National Right to Work Committee As Part of an Employee Rights Campaign)" which, inter alia, purports to survey the effectiveness and accuracy of our information officers in responding to public inquiries raising questions as to the legal rights of workers in matters relating to initiation fees, dues payments and union membership obligations.

By close of business, Monday, August 14, 1989, your Assistant General Counsel should be advised whether the information officers named in the Committee's report recall the inquiries allegedly made, as well as the accuracy of the purported conversation.

As you know, each Regional Office has had a training session with all of our professional staff concerning inquiries raising Beck issues. In most Regional Offices, these training sessions were held in mid-July, 1989. To reiterate the communication you received yesterday, please schedule additional training for all staff professionals who serve as information officers, and ensure that only those professionals who possess a sufficient level of experience are assigned to serve as information officers. During the training sessions, copies of Memorandum GC 88-14 should be carefully reviewed, and every professional should thoroughly familiarize themselves with the substance of the memorandum. Under the Supreme Court's Beck decision, a union may not, over the objections of dues-paying nonmember employees, charge dues for funds expended on matters unrelated to collective bargaining, contract administration or grievance adjustment. In addition, these training sessions should include the Board's decision in Union Starch and Refining Company, 87 NLRB 779 and the Supreme Court's decisions in NLRB v. General Motors, 373 U.S. 734 and Pattern Makers v. NLRB, 473 U.S. 95.

All of our information officers should be able to give accurate information in this area. In the event that a question is raised which the information officer can not answer, the call should be transferred to the Assistant to the Regional Director, or another management official who has the expertise to respond.

We appreciate your cooperation in this matter. Any questions concerning this matter should be referred to your Assistant General Counsel.

W.G.S.

Distribution:
Regional - All Professional Employees
NLRBU

OFFICE OF THE GENERAL COUNSEL

MEMORANDUM GC 88-14 November 15, 1988

TO: All Regional Directors, Officers-in-Charge, and Resident Officers

FROM: Rosemary M. Collyer, General Counsel

SUBJECT: Guidelines Concerning CWA v. Beck, ___U.S.___, 128 LRRM 2729 (June 29, 1988).

Introduction

In CWA v. Beck, the Supreme Court held that the proviso to Section 8(a)(3) of the Act does not "permit a union, over the objections of dues-paying nonmember employees, to expend funds so collected [pursuant to a union-security clause] on activities unrelated to collective bargaining, contract administration or grievance adjustment." 1/ The Court also concluded that "such expenditures violate the union's duty of fair representation." 2/

There are presently pending several cases in which it is alleged that unions violated Section 8(b)(1)(A) of the Act by engaging in conduct of the kind condemned in Beck. 3/ In addition, it can fairly be anticipated that the decision in Beck will spawn future cases of the same type. This Guideline Memorandum deals with such cases.

In these Guidelines, I have relied not only on Beck but also, to some extent, on cases arising in the public and railway labor sectors. 4/ I recognize that the public sector cases, and

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1/ Beck, 128 LRRM at 2730.

2/ Id.

3/ It is clear that a union's breach of its duty of fair representation violates Section 8(b)(1)(A) of the Act. See Miranda Fuel Co., 140 NLRB 181 (1962), enf. den. 326 F.2d 172 (2d Cir. 1963).

4/ See, e.g., Chicago Teachers Union, Local No. 1 v. Hudson, 475 U.S. 292 (1986); Ellis v. Railway Clerks, 466 U.S. 435 (1984);

perhaps the railway labor cases as well, rest in part on constitutional principles. By contrast, Beck does not rest on such principles. Because of this distinction, the Board and courts may ultimately hold that some of the requirements imposed by the case law developed in the public and railway labor sectors do not apply to the NLRA private sector. However, in order to place these issues before the Board and courts, I have generally taken the position that the body of law developed in the public and railway labor sectors does apply to the NLRA private sector.

As noted, Beck involved nonmember employees who objected to the expenditures of funds for non-representational purposes. 5/ Hence, in order to qualify for Beck rights, the employee must be a nonmember of the union. An employee who has never become a full member of the union or an employee who has resigned full membership would be eligible for Beck rights. 6/ In this latter regard, an employee who attempts to resign and is unlawfully prevented from doing so 7/ would be regarded as a constructive resignee and hence a nonmember.

In addition, as noted above, the nonmember must object to the expenditure of funds for non-representational purposes. 8/

Abood v. Detroit Board of Education, 431 U.S. 209 (1977); Machinists v. Street, 367 U.S. 740 (1960).

5/ In general, the phrase "non-representational" refers to functions other than collective bargaining, contract administration and grievance adjustment. This matter is discussed more fully infra.

6/ It is clear that, under a union-security clause, an employee need not be a full union member in order to retain employment. See NLRB v. General Motors Corp., 373 U.S. 734 (1963), and Union Starch & Refining Co., 87 NLRB 779 (1949), enfd. 186 F.2d 1008 (7th Cir. (1951), cert. den. 342 U.S. 815 (1951). At most, the employee can be required to pay initiation fees and dues.

7/ See Pattern Makers v. NLRB, 473 U.S. 95 (1985).

8/ Machinists v. Street, supra at 774:

> [D]issent is not to be presumed -- it must affirmatively be made known to the union by dissenting employees. The union receiving money exacted from an employee under a union-shop agreement should not in fairness be

If the nonmember does not object, the union can collect "full dues" under the union-security clause. 9/

Requirements Imposed on Union

If a union has a union-security clause covering statutory employees, and if it expends part of the funds collected thereunder on non-representational activities, that union has an obligation to notify nonmember employees: (1) that a stated percentage of funds was spent in the last accounting year for non-representational activities; (2) that nonmembers can object to having their union-security payments spent on such activities; and (3) that those who object will be charged only for representational activities. In addition, the union must notify the nonmembers that, if they object, the union will provide detailed information concerning the breakdown between representational and non-representational expenditures.

The aforementioned notice must be given at least once a year, as soon as practicable after the close of the union's prior accounting year. In this regard, we note that, as set forth infra, the calculations for a given year can be based on the financial data from the preceding accounting year. For similar reasons, a union can require nonmembers to file new objections, as discussed below, each year.

In addition, if the union has a "time window" for filing objections, the notice must set forth that information and the time period must be reasonable.

If a new employee (who is not a member) joins the unit after the notice or if a member resigns after the notice, a separate notice and opportunity to object must be given to these employees.

Upon receipt of a nonmember's objection to expenditures of monies for non-representational purposes, the union must refrain from charging the employee for those non-representational

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subjected to sanctions in favor of an employee who makes no complaint of the use of his money for such activities.

9/ Id.

functions. 10/ Thus, for example, if the figures for the last accounting year show 80 percent of the union's expenditures were for representational functions and 20 percent for non-representational functions and if the monthly dues are $10 per month, the union can charge the objecting employee only $8 after the employee objects.

Also upon receipt of a nonmember's objection, the union must provide that objector with information setting forth the union's major expenditures during the previous accounting year, distinguishing between representational and non-representational functions. 11/ While "absolute precision" cannot "be expected or required," the information must inform the employee of the major categories of expenses (e.g., national convention, organizing, etc.), whether the union considers that expense to be representational or non-representational, the total sum of expenditures, and the percentages thereof that were representational and non-representational. 12/ This financial information must be verified by an independent accounting firm.

If the objecting employee disagrees with the union's determination of the appropriate percentage, that employee must be given an opportunity to challenge that determination or the use of monies for particular purposes. One of the ways in which an employee can make such challenges is to file a charge with the NLRB. In that event, as with any other case, the Office of the General Counsel will determine the legality of the Union's allocation of monies into representational and non-representational purposes and will either issue complaint, absent settlement, or dismiss the charge, absent withdrawal, as appropriate. 13/

10/ The union may not follow a "charge and rebate" system. That would amount to an "involuntary loan" for non-representational purposes. See Ellis, supra at 443-444.

11/ Hudson, supra at 306-307.

If the union is a local of an international and a portion of union-security money is sent to the international, both the local and the international must provide the relevant information.

12/ Hudson, supra at 307.

13/ Until further notice, such cases must be submitted to Advice.

The union may, if it wishes, establish a system of neutral arbitration to resolve the employee's challenge. 14/ Assuming that the system is modeled on that set forth in Hudson, 15/ the Region should hold the charges in abeyance, pending the results of such arbitration. 16/ If the arbitrator agrees with the employee, and the union complies, the charge can be dismissed, absent withdrawal, on grounds of mootness. If the arbitrator disagrees with the employee, the Region should submit to Advice the issue of deferral to the arbitral decision. 17/

In all cases in which an employee disagrees with the union's determination, the union is required to place the amount in dispute into an interest-bearing escrow account while the matter is being resolved. Non-disputed amounts can be legitimately collected under the union-security clause of the collective bargaining contract.

Classification of Expenditures

As noted above, there is an important distinction between expenditures for representational activities and those for non-representational activities. "Congress understood Section 8(a)(3) simply to enable unions to charge nonmembers only for those activities that actually benefit them." Beck, supra, 128 LRRM at 2738. It is clear that representational activities which are chargeable to nonmembers include:

a. Collective bargaining, contract administration, and grievance-arbitration.

14/ I recognize that Hudson imposes an arbitration requirement. However, that requirement was based upon constitutional considerations. In addition, an employee covered by the NLRA can have his/her challenge resolved, free of charge, by neutral public officials.

15/ Under Hudson, the selection of the arbitrator must not be the union's unrestricted choice, even if the choice is from a neutral list. Hudson, supra at 308, n. 21.

16/ If there is any attempt by a union to cause the discharge of the employee while the arbitration is pending, the Region should promptly notify Advice.

17/ If the union has a system of arbitration, and the employee declines to use it, the case should be submitted to Advice.

b. The expenses of litigation incident to negotiating and administering the contract, settling grievances and disputes arising within the bargaining unit, fulfilling the duty of fair representation to the unit, handling jurisdictional disputes with other unions, and conducting other litigation before administrative agencies or courts concerning bargaining unit employees. 18/

c. National conventions. 19/

d. Union business meetings and social activities open to member and nonmember employees. 20/

e. Union publications to the extent that they report on the union's representational activities. 21/

f. Costs of union benefits available to members and nonmembers alike. 22/

Non-representational, and therefore non-chargeable, activities include:

a. Union organizing activities, either in the represented unit or outside of it. 23/

b. Expenses of litigation that do not "directly concern" the bargaining unit. 24/

c. Union publications to the extent that they report on non-representational activities. 25/

18/ Ellis, supra at 453.

19/ Id. at 448-449.

20/ Id. at 449-450.

21/ Id. at 450-451.

22/ Id. at 452, n. 14.

23/ Id. at 451-453.

24/ Id. at 453.

25/ Id. at 450-451.

d. Costs of union benefits that are not available to nonmembers. 26/

e. Costs of a union building fund. 27/

f. Lobbying. 28/

g. Promotion or defeat of legislation. 29/

h. Political campaigns. 30/

i. Advertising relating to non-chargeable matters. 31/

Cases involving expenditures not listed above should be submitted to Advice.

Submissions to Advice

If a union does not conform to these guidelines, so that a case must be litigated, the Region should contact Advice for assistance in the litigation and briefing of the precise matter(s) at issue.

The fact that a given issue is not discussed herein does not mean that there is no Beck obligation as to that issue. Rather, such issues will be resolved on a case-by-case basis.

Rosemary M. Collyer
General Counsel

Y:beck3.sms

26/ Id. at 452, n. 14.

27/ Id.

28/ Machinists v. Street, supra at 768-69.

29/ Id.

30/ Id.

31/ Id.

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JUSTIFICATION OF THE BUDGET ESTIMATES

TABLE OF CONTENTS

1991 APPROPRIATION REQUEST

Appropriation Language Sheet..... 1

Amounts Available for Obligation..... 2

Obligations by Activities..... 2

Obligations by Object..... 3

Summary of Changes..... 4

Appropriation History..... 6

NARRATIVE JUSTIFICATION

1. Appropriation Request for 1991..... 8

2. Highlights - Introduction..... 8

3. The Role of the NLRB..... 9

4. NLRB Workload and Resources..... 9

5. 1989 Operations..... 12

6. 1990 Operating Plan..... 12

7. 1991 Budget Request..... 13

8. Major Areas of Cost Increase from 1990 to 1991..... 13

9. Conclusion..... 14

10. Disposition Pattern for Unfair Labor Practice Cases. 16

11. Disposition Pattern for Meritorious Unfair Labor Practice Cases..... 17

12. Disposition Pattern for Representation Cases..... 18

13. Table A: Comparison of Recent Case Intake Experience with Budget Estimates for Fiscal Years 1971-1991..... 19

14. Table B: Comparison of Median Time (Days) Elapsed in Processing Cases..... 21

FISCAL TABLES

I. Comparison of Position, Annual Salaries and Personnel Compensation by Organizational Units... i

II. Comparative Table of Obligations by Object..... iv

III. Comparative Table Showing Estimated Average Employment for Various Organizational Units..... v

IV. Comparative Table of Program and Financing by Activities..... vii

EXHIBITS

Explanation of Types of Cases..... A

Outline of Representation Procedures Under Section 9(c). B

Basic Procedures in Cases Involving Charges of Unfair Labor Practice..... C

National Labor Relations Board Enforcement Chart..... D

NATIONAL LABOR RELATIONS BOARD

Salaries and Expenses

For expenses necessary for the National Labor Relations Board to carry out the functions vested in it by the Labor-Management Relations Act, 1947, as amended (29 U.S.C.141-167), and other laws, [$140,111,000]: Provided, that no part of this appropriation shall be available to organize or assist in organizing agricultural laborers or used in connection with investigations, hearings, directives, or orders concerning bargaining units composed of agricultural laborers as referred to in section 2(3) of the Act of July 5, 1935 (29 U.S.C. 152), and as amended by the Labor-Management Relations Act, 1947, as amended, and as defined in section 3(f) of the Act of June 25, 1938 (29 U.S.C. 203), and including in said definition employees engaged in the maintenance and operation of ditches, canals, reservoirs, and waterways when maintained or operated on a mutual, nonprofit basis and at least 95 per centum of the water stored or supplied thereby is used for farming purposes. $151,103,000

(Departments of Labor, Health and Human Services, and Education, and Related Agencies Appropriations Act, 1990)

NATIONAL LABOR RELATIONS BOARD
Amounts Available for Obligation
(in thousands of dollars)

	1990	1991
Appropriation.....	140,111	151,103
Supplemental For Civilian Pay Raises and Retirement.....	---	---
Total Obligations.....	140,111	151,103

Obligations by Activities
(in thousands of dollars)

	FY 1990		FY 1991		DIFFERENCE	
	FTE 1/	AMOUNT	FTE 1/	AMOUNT	FTE 1/	AMOUNT
Field Investigation.....	1,408	90,372	1,445	98,368	+37	7,996
Administrative Law Judge Hearing.....	301	19,335	301	19,794	---	459
Board Adjudication.....	227	14,572	213	14,506	-14	-66
Securing Compliance with Board Orders....	247	15,832	261	18,435	+14	2,603
Reimbursable Program....	---	300	---	---	---	-300
Total Obligations.....	2,183	140,411	2,220	151,103	37	10,692
Offsetting Collections from Federal Funds.....	---	-300	---	---	---	300
Appropriation (Adjusted)	2,183	140,111	2,220	151,103	37	10,992

1/ This column was previously labeled "Positions." The NLRB's budget is estimated on a full-time equivalent employment (FTE) basis to provide a more precise measure of the staff resources needed.

NATIONAL LABOR RELATIONS BOARD
Obligations by Object

	FY 1990 ESTIMATE	FY 1991 REQUEST	INCREASE or DECREASE
Total Number of Permanent Positions	3,000	3,000	---
Total Compensable Workyears: Full-time Equivalent Employment	2,183	2,220	37
Full-time Equivalent of Overtime and Holiday Hours	5	5	---
Personnel Compensation:			
Permanent Positions	$90,782	$96,042	$5,260
Positions other than Full-time Permanent	1,713	1,801	88
Other Personnel Compensation	1,000	1,125	125
Special Personal Service Payments	175	190	15
Subtotal, Personnel Compensation	93,670	99,158	5,488
Personnel Benefits	15,000	15,851	851
Travel and Transportation of Persons	3,700	3,700	0
Transportation of Things	180	185	5
Rent, Communications & Utilities	4,470	3,750	-720
Standard Level User Charge (Rental payments to GSA)	15,723	19,517	3,794
Printing and Reproduction	408	435	27
Other Services	2,915	2,915	0
Reporting Contract	1,400	1,427	27
Supplies and Materials	1,065	1,085	20
Furniture and Equipment	1,440	2,940	1,500
Insurance Claims & Indemnities	140	140	0
Total Obligations	$140,111	$151,103	10,992

NATIONAL LABOR RELATIONS BOARD
Summary of Changes
(in thousands of dollars)

1990 estimated obligations	140,111
1991 estimated obligations	151,103
Net Change	10,992

	BASE		CHANGE FROM BASE	
	FTE	AMOUNT	FTE	AMOUNT
INCREASES:				
A. Built-in				
1. Annualization of 1990 recruitment and related expenses	---	---	---	---
2. Annualization of promotion and within-grade increases from 1990	---	---	---	300
3. Cost of promotions and within-grade increases in 1991	---	---	---	1,000
4. Extra Day Cost	---	---	---	420
5. Annualization of 1990 Pay Increase	---	---	---	750
6. 1991 Pay Increase	---	---	---	2,921
7. Space Rent	---	---	---	3,794
Subtotal, Built-in Increases	---	---	---	9,185
B. Deferred and/or Cancelled from 1990				
There are no deferred or cancelled operations for 1990 that are funded in 1991.				
C. Increased Case Dispositions				
1. Recruitment Salaries and Related Expenses	2,183	131,749	+37	1,042
2. Witness Fees	---	175	---	15
3. Reporting	---	1,400	---	50
4. Printing	---	408	---	27
Subtotal, Increased Dispositions	2,183	133,732	---	1,134

NATIONAL LABOR RELATIONS BOARD
Summary of Changes (cont'd)
(in thousands of dollars)

	BASE		CHANGE FROM BASE	
	FTE	AMOUNT	FTE	AMOUNT
D. Other				
1. Computer Program	---	2,596	---	1,500
2. Transfer Program	---	1,050	---	150
Subtotal, Other Increases	---	3,646	---	1,650
Total, Increases	2,183	137,378	37	11,969
DECREASES				
E. Built-in				
1. Federal Employees Compensation	---	508	---	-77
Subtotal, Built-in Decreases	---	508	---	-77
F. Other				
1. Alterations	---	150	---	-50
2. FTS	---	1,800		-800
3. Overtime	---	275	---	-50
Subtotal, Other Decreases	---	2,225	---	-900
Total, Decreases	---	2,733	---	-977
Net Change	2,183	140,111	37	10,992

NATIONAL LABOR RELATIONS BOARD

Appropriation History

YEAR	ESTIMATE to CONGRESS	HOUSE ALLOWANCE	SENATE ALLOWANCE	APPROPRIATION or CONTINUING AUTHORIZATION
1963	$21,029,000	$21,029,000	$21,029,000	$21,029,000
1964	23,060,000	22,060,000	22,560,000	22,460,000
1965	26,407,500	25,157,500	26,407,500	26,157,500
1966	28,713,100	28,713,100	28,713,100	28,713,100
1967	31,030,000	31,030,000	31,030,000	31,030,000
1968	32,288,000	32,288,000	32,288,000	32,288,000
1969	35,474,000	35,474,000	35,474,000	35,474,000
1970	39,038,950	39,038,950	39,038,950	39,038,950
1971	40,327,000	41,827,000	41,827,000	41,827,000
1972	48,468,000	48,468,000	48,468,000	48,468,000
1973	50,456,000	50,456,000	50,456,000	50,456,000
1974	56,057,000	56,057,000	56,057,000	56,057,000
1975	63,089,000	62,669,000	62,669,000	62,669,000
1976	70,330,000	69,292,000	69,902,000	69,597,000
T.Q.	17,799,000	17,517,000	17,670,000	17,593,000
1977	81,336,000	80,908,000	81,336,000	80,908,000
1978	92,508,000	92,508,000	92,508,000	92,508,000
1979	103,012,000	102,762,000	102,762,000	102,762,000
1980	113,873,000	112,261,000 1/	112,261,000 1/	112,261,000 1/
1981	119,548,000	119,548,000	119,548,000	118,488,000 2/

1/ Net $356,000 rescinded (by P.L. 96-304) for purchase of furniture.
2/ Rescission of $1,060,000 by P.L. 97-12.

NATIONAL LABOR RELATIONS BOARD

Appropriation History (Cont'd)

YEAR	ESTIMATE to CONGRESS	HOUSE ALLOWANCE	SENATE ALLOWANCE	APPROPRIATION or CONTINUING AUTHORIZATION
1982	128,336,000	125,959,000	120,000,000	117,600,000 3/
1983	133,000,000	126,045,000	126,045,000	126,045,000
1984	134,158,000	133,594,000	134,158,000	133,594,000 4/
1985	137,964,000 5/	137,964,000	137,964,000	137,964,000
1986	130,895,000 6/	134,854,000	134,854,000	129,055,000 7/
1987	130,865,000	132,247,000	132,247,000	132,247,000
1988	141,580,000	139,019,000	139,019,000	133,097,000 8/
1989	138,647,000	138,647,000	138,647,000	136,983,000 9/
1990	140,111,000	140,111,000	140,111,000	140,111,000
1991	151,103,000			

3/ Total amount available under Continuing Resolutions for FY 1982.
4/ Amount authorized under P.L. 98-139.
5/ A rescission of $1,070,000 was submitted but not enacted.
6/ Amount included $3,959,000 for 5% Federal employee pay reduction.
7/ Reflects $5,799,000 reduction pursuant to P.L. 99-177.
8/ This amount was subsequently reduced by $641,000 for an across-the-board appropriation travel reduction.
9/ An amendment to the Appropriation Bill (P.L. 100-436) reduced all discretionary programs by 1.2%.

NARRATIVE JUSTIFICATION
OF
APPROPRIATION ESTIMATES
Fiscal Year 1991

"Salaries and Expenses,
National Labor Relations Board"

APPROPRIATION REQUEST FOR 1991

The National Labor Relations Board (NLRB) requests an appropriation of $151,103,000 for Fiscal Year 1991. The funds are requested to enable the NLRB to process the unfair labor practice and representation cases which are expected to be filed with the Agency in the coming year.

A comparison of the Fiscal Year 1990 and the Fiscal Year 1991 appropriation request follows:

	1990 President's Budget		1991 Request		Increase or Decrease	
	FTE	Amount	FTE	Amount	FTE	Amount
Personnel Compensation and benefits	2,183	108,670,000	2,220	115,009,000	+37	+6,339,000
Other expenses	---	31,441,000	---	36,094,000	---	+4,653,000
TOTAL	2,183	140,111,000	2,220	151,103,000	+37	+10,992,000

HIGHLIGHTS - INTRODUCTION:

The mission of the National Labor Relations Board (NLRB) is to promote industrial peace through the resolution of labor disputes by enforcement of the National Labor Relations Act (NLRA). Over the years, the NLRB's administration of the various provisions of the Act has proven to be both a valuable asset and a cost effective economic benefit to the nation. These conclusions have been affirmed through reviews conducted by the Congress, the General Accounting Office, the Bureau of Labor Statistics, and by

the Office of Personnel Management. The President's requested 1991 appropriation for the NLRB provides all of the resources necessary to process the NLRB's expected 1991 workload and to continue our enforcement of the National Labor Relations Act.

THE ROLE OF THE NLRB

The National Labor Relations Board was created fifty-five years ago to provide an orderly framework to facilitate prompt resolution of industrial disputes and thus "eliminate the causes of certain substantial obstructions to the free flow of commerce." Fulfilling this vitally important mandate for over a half-century has been a challenging responsibility. However, through the support provided by the Congress over the years, it has been a responsibility that the NLRB has successfully discharged.

Though the NLRB does not engage in economic value analyses, it is apparent that the Agency's prompt resolution of the thousands of labor disputes that are voluntarily brought before it each year results in an immense benefit to the national economy. In particular the economic benefit of NLRB involvement to the parties and to the nation is usually many times what it costs the Agency to process those cases.

Not only is the NLRB's resolution of these disputes of great financial value to the national economy but the promptness with which they are resolved is the essence of the NLRB's effectiveness. There are many cases in which delay, even a few days in some cases, would cause enormous losses to employers, employees and unions.

NLRB WORKLOAD AND RESOURCES

Intake - Overview:

The NLRB's casehandling system begins with the receipt by Regional Offices of representation petitions and unfair labor practice charges filed by employers, labor unions, and individuals throughout the country. The NLRB initiates none of its caseload. While no charges or petitions are refused, the Agency does have an intensive and highly successful Information Officer Program. Its purpose is to provide the public with appropriate assistance on matters they bring to the Agency. However, we discourage the filing of clearly non-meritorious cases or cases over which the agency does not have jurisdiction. The program's success in reducing no-merit filings is demonstrated by the fact that of the 211,934 inquiries received by the Agency last year, only 10,729 resulted in formal filings. This result was achieved because of the effectiveness of thorough pre-screening assistance provided by Information Officers in each of the Agency's field offices. The remaining cases, of course, were filed directly by the parties without utilizing the IO program.

The acceptance rate of charges from the Information Officer program currently runs about 5.1%. In FY 80, the first full year of the program, it was 9.2%. Since that time it has been gradually reduced to its present level. It is obvious that the Information Officer program has saved the Agency and the taxpayer millions of dollars.

Record of Accomplishments:

The National Labor Relations Board has a proud and longstanding record of high quality performance, dependability and productivity. The Agency's primary objective is to serve the public effectively, efficiently and fairly. As below noted our case management system has significantly contributed to this objective.

Approximately one-third of all charges alleging unfair labor practices filed with the Agency are determined to have merit upon completion of a thorough NLRB investigation. These investigations and merit determinations are almost always completed within 30 days. If settlement of these meritorious cases cannot be achieved, our goal is to issue unfair labor practice complaints in a median of 45 days from the filing of the charge. Thus, in an average of just over 6 weeks the NLRB is able to docket, investigate and determine, from among its thousands of case filings, those cases that warrant further proceedings and those that do not. Such an accomplishment can only be consistently realized with regularity in each of the Agency's Regional Offices through sound management, high professionalism, hard work, and intensive training.

Settlement Rates:

Over many years our settlement rate ranged from 83 to 86 percent. However, during the past seven years the Agency has maintained a settlement rate in unfair labor practice cases of 91.0 to 93.1 percent. This rate, together with lower intake of new cases, has permitted the Agency to maintain its staff at reduced level from prior years when the settlement rate was lower. Moreover, this experience has permitted us to build our budget on a higher productivity rate, and has substantially reduced the costs associated with the litigation of cases. Thus, the settlement rate has great influence on whether, in any given year, our resources will be adequate to process all the cases we receive. We have based our budget for Fiscal Years 1990 and 1991 on a settlement rate of 90 percent, and we will do all that we can to continue to meet this objective.

Unfortunately, all of the factors influencing our settlement rate are not within our control. Therefore, we must recognize that such factors could cause the settlement rate to turn downward at any time. In order to maintain a high settlement rate, our staff is totally committed to making a diligent settlement effort

in every case. These efforts are fully supported by top management and are an important aspect of our performance evaluation of Regional Offices. Additionally, if Regional Office personnel are unsuccessful, the Administrative Law Judges continue to pursue settlements with the parties.

The Agency has estimated that each one percent increase in the number of settlements results in a saving to the taxpayer of over $1 million. This results from the significant reduction in the number of cases that would otherwise have to be litigated within the Agency and perhaps ultimately through the U. S. Courts of Appeals and potentially the Supreme Court. Since formal litigation may extend into succeeding fiscal years, a relatively small percentage of the cost effect is seen in the first year of a change in the settlement rate, in either direction. Thus, to measure the eventual savings or costs from an unexpected change in the settlement rate, we would have to take into account the variable elapsed time involved in Administrative Law Judge hearings and decisions, Board review and, when necessary, court enforcement litigation. However, as we have sustained a high settlement rate over several years, the effect in our 1990 and 1991 budgets clearly has been to reduce, by several million dollars, the funds that would have otherwise been needed throughout the Agency for litigation of unfair labor practice cases. A high settlement rate also saves the parties to NLRB cases the substantial costs of litigation, while bringing a prompt resolution to labor disputes. Finally, it has the additional benefit of further reducing the backlog of cases awaiting Board decision.

Timeliness of Service:

As above noted, the Agency continues to timely process its cases in acordance with its long established time objectives. In addition, it has succeeded in reducing the time required before a case is heard by an Administrative Law Judge, from the 10-12 months of a few years ago to less than 3 months in a majority of the Agency's Regional Offices. Important also, no Regional Office has a trial calendar that exceeds 7 months. This achievement is very important because through experience we have learned that earlier trial dates substantially enhance our ability to settle cases. Of course, some percentage of representation and unfair labor practice cases will always reach the Board level for decision.

In addition to its timely investigation and prosecution of the unfair labor practice cases the Agency also schedules and conducts thousands of representation elections each year. These elections are held in a median of about 48 days from the date the petition for election is filed. Moreover, election cases appealed to the Board and requests for review in election cases are presently handled in about 14 days, which is a laudatory response time. Generally, unfair labor practice cases take longer to decide than representation cases because they typically present

more difficult and complex factual and legal issues. Nonetheless, the Board has in the past year been able to reduce by one-fourth its pending caseload from 510 cases on January 1, 1989 to 386 cases on January 1, 1990.

In recent years the Agency has had to devote more resources to the growing number of compliance cases. These cases range from compliance with informal settlement agreements to compliance with Board orders and Court Judgments. Many of these cases present very complex issues, and may involve additional proceedings such as contempt hearings or bankruptcy proceedings. Additionally, many cases involve large numbers of discriminatees and large amounts of backpay. These cases require extensive efforts to calculate backpay, locate missing discriminatees and ultimately secure compliance. Moreover, our experience has been that the number of multi-regional cases requiring nationwide remedies and inter-region coordination and cooperation has increased.

1989 OPERATIONS

In Fiscal Year 1989, a total of approximately 31,988 ULP charges, an increase of 2.6 percent over FY 88, and 8,535 representation questions, up 7.8 percent over FY 88, were generally handled in the time ranges described above. Essentially, all newly filed cases are being processed on a reasonably current basis. The Board decided 750 cases in 1989, a significant number of which represented some of the oldest and more difficult of the pending cases. In contrast to July 1987, when approximately 300 ULP cases had been awaiting decision for over 2 years, there were only 42 such cases at the end of fiscal 1989. The overall number of cases awaiting decision at the end of fiscal year 1989 was 451, down 40.6 percent from 1988.

Total 1989 Agency full-time equivalent staff was 2,273, or approximately the same as in 1988.

1990 Operating Plan

The Agency normally expects to process all of the anticipated new cases and its pending cases on a current basis in a fiscal year. However, during the first quarter of Fiscal Year 1990, the Agency has experienced a 10 percent increase in unfair labor practice charge filings. Although there is no certainty that this one quarter change is a trend for the whole year, if this sharp increase were to continue through Fiscal Year 1990 the Agency, would develop a backlog of cases pending investigation not withstanding the projection of additional productivity increases in almost every area of casehandling. We have not found short-term quarterly swings in case intake to be good predictors of overall workload. Nevertheless we do want to emphasize that the final level of 1990 productivity that will be achieved is dependent upon our staffing level and the intake experienced in 1990.

Agency systems and programs that support casehandling such as the computer system, word processing systems, and training programs are under tight control to avoid any non-essential expenditures. However, if intake continues to rise, some further reductions in these expenditures may be necessary in order to finance additional staff to minimize backlogs at the regional office level and provide for the prompt investigation and disposition of unfair labor practice charges.

1991 Budget Request

The 1991 budget request before the Congress is the culmination of a careful assessment of the Agency's funding requirements. The NLRB's budget request process begins with a careful estimate of the Agency's expected workload. This estimate is based on a survey prepared and submitted by each of our Regional Offices. For 1991, the Agency foresees a workload increase of 2.4 percent over 1990. This increase would bring the total Agency workload to about 41,827 cases. The 1991 staffing level is expected to permit current casehandling; it is determined by a careful estimate of the movement of cases through the Agency's casehandling "pipeline" and by applying objective productivity forecasts to each step of the process.

Once the case intake level is determined, the costs of handling the projected level of operation are estimated. For 1991, the estimate is $151,103,000 or $10,992,000 more than 1990.

The historic objective of the NLRB has been to promptly process all of the cases filed with the Agency each year, and to close as many cases as it receives. The budget request before the Congress for 1991 will permit us to achieve those objectives and will assure a cost effective NLRB.

MAJOR AREAS OF CHANGE IN COST FROM 1990 TO 1991

Changes in the NLRB's requirement for funds are addressed in four component sections: changes that are built-in; changes that result from a prior year deferral of normal expenditures; changes related to variations in case intake and/or processing; and other changes in cost of administrative operations.

Normally, a number of cost increases are necessary because of announced price increases for services necessary to the Agency or to pay for new salary rates. Other increases help finance basic expenses that are sometimes deferred from one year to another in order to make funds available for casehandling, and these deferrals cannot be continued into a succeeding year. Other changes in costs occur as we process an expected increase or decrease in case intake or a change in the case disposition pattern (e.g., more/fewer trials, higher/lower settlement rate,

etc.) Special Agency administrative and support programs may also experience changes in their cost.

Overall we estimate cost increases of $10,992,000 in 1991 over 1990.

Built-in

Built-in changes in cost are caused by an activity in one year whose effect extends into the following year. For instance, 1991 cost increases have been built-in as necessary to pay for the annualization of 1990 staff within-grades and career promotions and to pay for the 1991 projected within-grades and career promotions and the annualization of the 1990 pay increases.

Items Deferred or Cancelled.

The 1991 budget does not include any cost changes brought on by the deferral or cancellation of any scheduled 1990 operations.

Variations in Case Intake/Output

The estimated case intake increase in FY 91 obviously result in increases in casehandling cost such as travel, court reporting, legal reference and research materials, supplies, witness fees, FTS, postage.

Other Cost Increases and Decreases

Increases are also projected for 1991 for the employee health program, exchange training program, and furniture and equipment. Decreases have been projected for overtime, FTS, alterations and payments under the Federal Employees Compensation Act (FECA).

CONCLUSION

The NLRB is committed to maintaining the high settlement rate it has achieved. This is the most efficient and effective method of resolving unfair labor practice cases. At the same time that we project a very high rate of settlement, we anticipate that the number of contested cases in FY 91 will reach upwards of 700 Administrative Law Judge decisions and 800 Board decisions. Thus, it can be seen that the functions of the NLRB staff in resolving contested cases at the compliance stage has not diminished.

The critical role of the National Labor Relations Board in facilitating the flow of commerce is the basis of this request for operating resources in 1991. The NLRB's recognized effectiveness is evidence that the substantial public trust given this Agency over a half century ago has not been misplaced. The President's budget provides the resources for this Agency to continue

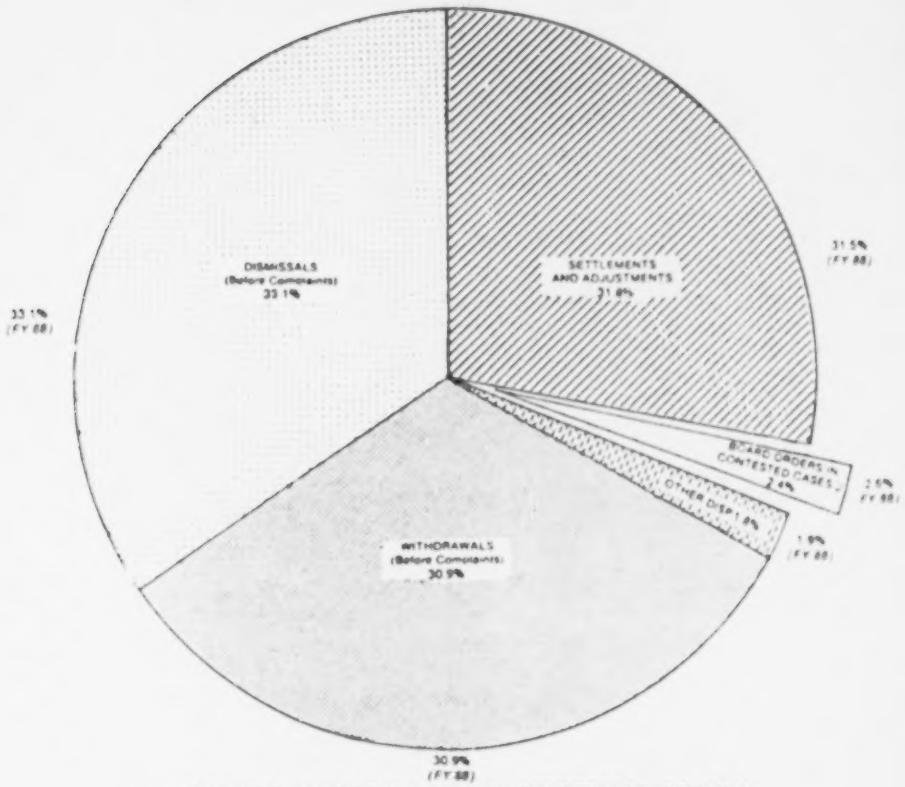
fulfilling its mission. In the spirit of its past dedication and current commitment, the NLRB respectfully requests favorable Committee consideration of the 1991 budget request.

DISPOSITION PATTERN FOR UNFAIR LABOR PRACTICE CASES

(Based on Cases Closed)

FISCAL YEAR 1989 *(ESTIMATES)*

Compared with Fiscal Year 1988



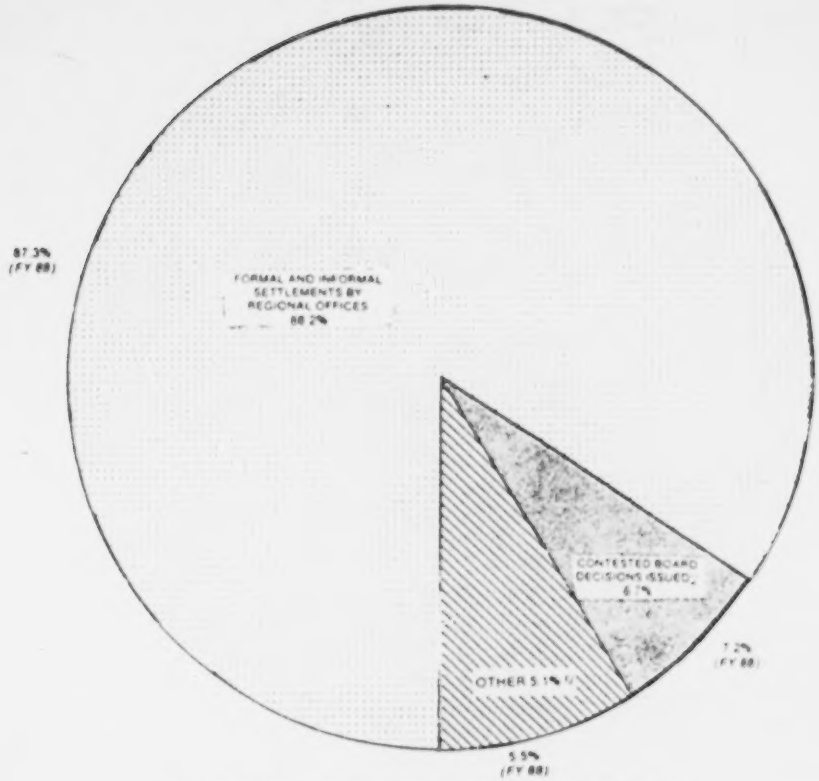
1/ CONTESTED CASES REACHING BOARD MEMBERS FOR DECISIONS

DISPOSITION PATTERN FOR MERITORIOUS UNFAIR LABOR PRACTICE CASES

(Based on Cases Closed)

FISCAL YEAR 1989 *(ESTIMATES)*

Compared with Fiscal Year 1988



1/ Following Administrative Law Judge Decision, stipulated record or summary judgment ruling.

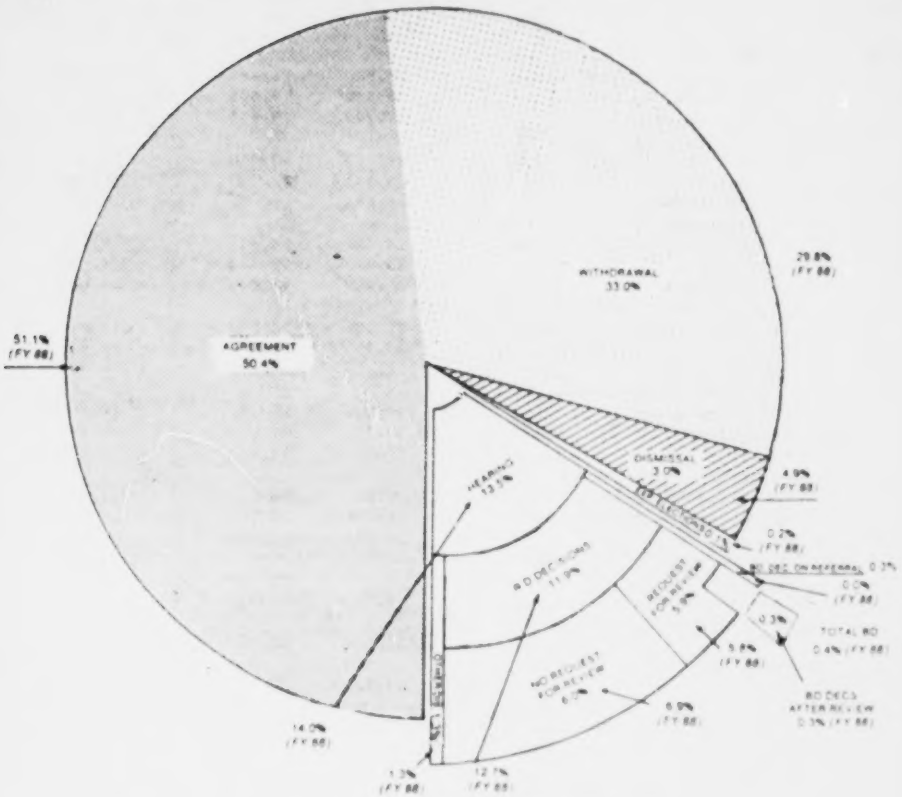
2/ Compliance with Administrative Law Judge Decision, stipulated record or summary judgment ruling.

DISPOSITION PATTERN FOR REPRESENTATION CASES

(Based on Cases Closed)

FISCAL YEAR 1989 *(ESTIMATES)*

Compared with Fiscal Year 1988



*These cases also counted under Regional Director Decisions

TABLE A

Comparison of Recent Case Intake Experience
with Budget Estimates for Fiscal Years 1971 thru 1991

	Unfair Labor Practices Cases	Unfair Labor Practices Situations	Representation Cases a/
A. Budget Estimates for Fiscal Year 1971			
1. As estimated in 1971 Budget	20,500	17,480	12,950
2. As estimated in 1972 Budget	22,620	19,475	12,670
3. Actual intake	23,770	20,634	13,442
B. Budget Estimates for Fiscal Year 1972			
1. As estimated in 1972 Budget	24,320	20,940	13,300
2. As estimated in 1973 Budget	26,150	22,700	14,310
3. Actual intake	26,852	23,655	14,187
C. Budget Estimates for Fiscal Year 1973			
1. As estimated in 1973 Budget	28,165	24,448	15,125
2. As estimated in 1974 Budget	28,920	25,480	14,990
3. Actual intake	26,487	23,560	14,590
D. Budget Estimates for Fiscal Year 1974			
1. As estimated in 1974 Budget	32,100	28,280	15,940
2. As estimated in 1975 Budget	29,405	26,155	15,465
3. Actual intake	27,726	24,851	14,647
E. Budget Estimates for Fiscal Year 1975			
1. As estimated in 1975 Budget	29,405	26,155	16,395
2. As estimated in 1976 Budget	30,215	27,075	16,355
3. Actual intake b/	31,253	28,142	13,670
F. Budget Estimates for Fiscal Year 1976			
1. As estimated in 1976 Budget	32,045	28,715	17,195
2. As estimated in 1977 Budget	33,615	30,255	15,195
3. Actual intake	34,509	31,004	14,826
G. Budget Estimates for Transition Quarter			
1. As estimated in 1977 Budget	8,895	8,005	4,300
2. Actual intake	9,200	8,093	3,811
H. Budget Estimates for Fiscal Year 1977			
1. As estimated in 1977 Budget	36,510	32,860	15,135
2. As estimated in 1978 Budget	37,785	33,945	15,840
3. Actual intake	37,828	33,557	15,115
I. Budget Estimates for Fiscal Year 1978			
1. As estimated in 1978 Budget	40,890	36,740	16,990
2. As estimated in 1979 Budget	39,867	35,563	17,072
3. Actual intake	39,652	35,141	13,609
J. Budget Estimates for Fiscal Year 1979			
1. As estimated in 1979 Budget	42,882	38,167	18,131
2. As estimated in 1980 Budget	43,300	38,372	14,929
3. Actual intake	41,259	37,497	13,648
K. Budget Estimates for Fiscal Year 1980			
1. As estimated in 1980 Budget	46,244	40,981	15,780
2. As estimated in 1981 Budget	44,739	40,133	14,672
3. Actual intake	44,063	40,061	13,318

a/ Includes union decertification (UD), amendment of certification (AC), and unit clarification (UC) cases.

b/ Includes "CG" cases beginning in 1975.

TABLE A
Comparison of Recent Case Intake Experience
with Budget Estimates for Fiscal Years 1971 thru 1991

	Unfair Labor Practices Cases	Unfair Labor Practices Situations	Representation Cases a/
L. Budget Estimates for Fiscal Year 1981			
1. As estimated in 1981 Budget	46,905	42,093	14,819
2. As estimated in 1982 Budget	46,745	42,400	14,114
3. Actual intake	43,321	40,752	12,576
M. Budget Estimates for Fiscal Year 1982			
1. As estimated in 1982 Budget	48,916	44,438	14,714
2. As estimated in 1983 Budget	45,206	41,434	13,029
3. Actual intake	37,685	34,258	8,980
N. Budget Estimates for Fiscal Year 1983			
1. As estimated in 1983 Budget	46,788	42,808	13,485
2. As estimated in 1984 Budget	39,440	35,881	10,610
3. Actual intake	40,031	36,390	8,809
O. Budget Estimates for Fiscal Year 1984			
1. As estimated in 1984 Budget	41,806	38,033	11,247
2. As estimated in 1985 Budget	42,493	38,658	9,603
3. Actual intake	34,855	31,686	8,571
P. Budget Estimates for Fiscal Year 1985			
1. As estimated in 1985 Budget	44,885	40,834	10,233
2. As estimated in 1986 Budget	36,598	33,271	9,000
3. Actual intake	32,528	29,246	8,402
Q. Budget Estimates for Fiscal Year 1986			
1. As estimated in 1986 Budget	38,428	34,935	9,540
2. As estimated in 1987 Budget	34,000	30,602	9,000
3. Actual intake	33,780	30,739	7,859
R. Budget Estimates for Fiscal Year 1987			
1. As estimated in 1987 Budget	36,000	32,348	9,000
2. As estimated in 1988 Budget	35,664	31,182	8,426
3. Actual intake	32,243	28,660	7,645
S. Budget Estimates for Fiscal Year 1988			
1. As estimated in 1988 Budget	36,969	32,243	8,794
2. As estimated in 1989 Budget	32,941	29,527	7,712
3. Actual intake	31,186	27,983	7,918
T. Budget Estimates for Fiscal Year 1989			
1. As estimated in 1989 Budget	33,638	30,233	7,814
2. As estimated in 1990 Budget	32,122	28,823	8,156
3. Actual Intake	31,988	27,989	8,535
U. Budget Estimates for Fiscal Year 1990			
1. As estimated in 1990 Budget	33,000	29,737	8,400
2. As estimated in 1991 Budget	31,957	28,442	8,876
3. Actual intake			
W. Budget Estimates for Fiscal Year 1991			
1. As estimated in 1991 Budget	32,596	29,010	9,231

a/ Includes union decertification (UD), amendment of certification (AC), and unit clarification (UC) cases.

TABLE 8
COMPARISON OF MEDIAN TIME *(DAYS)* ELAPSED IN PROCESSING CASES

	Fiscal Year																			
	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
I. UNFAIR LABOR PRACTICE CASES																				
A. INFORMAL AGENCY DISPOSITIONS 1/																				
1 Filing to Withdrawal	27	28	25	27	27	27	23	26	26	26	26	26	31	31	31	31	31	32	33	33
2 Filing to Dismissal																				
a No Appeal	51	54	50	51	51	52	54	50	49	50	53	52	53	54	55	54	54	56	56	56
b After Appeal	117	126	82	78	76	81	82	73	77	84	92	90	77	83	80	78	84	99	94	88
3 Filing to Settlement or Adjustment	35	39	34	35	34	39	40	34	34	30	33	32	33	32	32	36	52	91	101	110
4 Filing to Informal Closing (80% of all closings)	40	44	41	40	40	42	44	41	40	39	40	40	41	40	41	42	49	51	53	52
B. FORMAL AGENCY DISPOSITIONS																				
1 Filing to Complaint	57	59	51	51	50	54	55	48	47	45	46	44	48	45	45	44	45	46	46	45
2 Complaint to Close of hearing	58	62	65	58	48	55	75	90	116	142	155	173	251	156	122	112	98	112	127	133
3 Close of hearing to Judge's Decision	84	80	83	76	69	72	89	113	140	157	156	151	132	118	118	126	125	117	139	148
4 Board Decisions																				
a Initiating document to Board Decision 3/	124	141	116	133	131	134	120	134	128	123	108	144	170	194	248	229	194	228	266	222
b Judge's Decision to Board Decision											133	120	170	324	298	273	293	315	305	300
5 Filing to Board Decision (2% of all closings)	348	370	349	356	327	332	358	396	429	483	484	490	633	658	660	720	709	709	762	727
C. ENFORCEMENT IN U.S. COURT OF APPEALS																				
1 Board Decision to Referral for Enforcement				41	42	39	37	39	40	38	44	45	42	41	42	54	49	52	53	57
2 Referral to filing of petition				57	35	34	38	29	29	29	30	53	44	72	19	29	28	29	42	40
3 Petition to Courts of Appeals Opinion				296	284	292	317	330	331	365	385	390	355	358	314	295	322	299	321	295
4 Board Decision to Courts of Appeals Opinion				377	349	359	375	390	406	423	438	501	450	454	410	383	437	380	430	359
D. FILING TO CLOSING OF ALL ULP CASES																		55	55	58
II. REPRESENTATION CASES																				
A. INFORMAL AGENCY DISPOSITIONS 1/																				
1 Filing to Withdrawal 2/	15	21	22	23	22	23	24	23	23	21	24	24	25	26	25	27	25	31	24	23
2 Filing to Dismissal 2/	39	40	39	39	39	43	43	42	45	44	46	45	45	48	55	53	71	59	53	50
3 Filing to Closing after Agreement for Elections 2/	48	49	51	50	52	54	57	58	65	65	60	59	65	59	59	59	59	59	59	58
4 Filing to Informal Closing 2/				45	46	48	49	51	56	56	53	52	59	56	57	57	58	56	53	52
B. FORMAL AGENCY DISPOSITIONS																				
1 a Filing to Notice of Hearing	9	10	9	9	9	9	10	8	8	8	8	8	9	8	8	8	8	8	8	8
b Notice of Hearing to Close of Hearing	14	14	13	13	13	14	14	13	12	12	11	12	13	13	13	13	14	13	14	13
c Filing to Close of Hearing	23	24	22	22	22	23	24	21	20	20	19	20	22	21	21	21	22	22	22	22
2 a Hearing to Board Decision	139	152	148	147	144	137	138	176	167	170	187	209	313	250	249	190	256	253	233	212
b Filing to Board Decision	228	239	237	241	225	238	246	260	275	263	295	215	193	320	301	268	302	314	304	284
3 a Hearing to Regional Director Decision	20	23	20	20	20	22	23	22	20	19	19	19	21	20	21	22	22	23	22	22
b Filing to Regional Director Decision	48	50	47	46	46	48	49	47	44	41	42	41	35	43	44	44	44	45	45	45
C. FILING TO CLOSING OF ALL REPRESENTATION CASES																		57	56	55

1/ From filing of charge or petition to close of case

2/ First 6 months of Fiscal Year only through Fiscal Year 1976. Beginning with Fiscal Year 1977, data are for full years.

3/ Beginning in 1980, initiating document includes: ALJ decision, Board notice to show cause, issuance of Brief-due date for Stipulation of facts, Hearing Officer's report on 10(k), issuance of Brief-due for remanded case.

FISCAL TABLES

NATIONAL LABOR RELATIONS BOARD
Comparison of 1990 and 1991 Positions, Annual Salaries and Personnel Compensations for the Organizational Units of the Agency

Organizational Units	Fiscal Year 1990 Estimate		Fiscal Year 1991 Request		Change from 1990 Estimate to 1991 Request	
	Positions	Annual Salary	Positions	Annual Salary	Positions	Annual Salary
Board Members' Offices & Related Units:						
Board Members' Office and Legal Assistants	178	10,064,777	178	10,418,669	---	+353,892
Office of Executive Secretary	30	979,379	30	987,128	---	+7,749
Division of Information	10	347,532	10	353,552	---	+6,020
Office of the Solicitor	8	376,167	8	380,514	---	+4,347
Division of Judges	215	11,324,364	215	11,330,603	---	+6,239
Subtotal, Board Members and Related Units	441	23,092,219	441	23,470,466	---	+378,247
Inspector General	10	378,915	10	389,608	---	+10,693
General Counsel & Staff:						
Office of the General Counsel	15	610,969	15	628,178	---	+17,209
Division of Operations Management:						
Management Staff	46	2,185,693	46	2,239,884	---	+54,191
Field Staff:						
Management	99	7,378,989	99	7,644,633	---	+265,644
All Other Field Professionals	1,191	55,909,192	1,191	57,413,614	---	+1,504,422
Field Clericals	662	13,815,125	662	14,326,584	---	+511,459
Subtotal, Field Staff	1,952	77,103,306	1,952	79,384,831	---	+2,281,525
Subtotal, Div. of Operations Management	1,998	79,288,999	1,998	81,624,715	---	+2,335,716
Division of Advice	68	2,771,349	68	2,834,906	---	+63,557

NATIONAL LABOR RELATIONS BOARD
Comparison of 1990 and 1991 Positions, Annual Salaries and Personnel Compensations for the Organizational Units of the Agency

Organizational Units	Fiscal Year 1990 Estimate		Fiscal Year 1991 Request		Change from 1990 Estimate to 1991 Request	
	Positions	Annual Salary	Positions	Annual Salary	Positions	Annual Salary
General Counsel & Staff (cont'd):						
Division of Enforcement Litigation:						
Office of Associate General Counsel	4	170,293	4	170,293	---	---
Supreme Court Branch	4	157,057	4	158,709	---	+1,652
Appellate Court Branch	105	4,658,094	105	4,864,589	---	+206,495
Litigation Services Section	20	424,533	20	427,408	---	+2,875
Office of Appeals	57	2,306,389	57	2,325,854	---	+19,465
Subtotal, Division of Enforcement Litigation	190	7,716,366	190	7,946,853	---	+230,487
Division of Administration	278	8,654,890	278	8,817,881	---	+162,991
Subtotal, General Counsel & Staff	2,549	99,042,573	2,549	101,852,533	---	+2,809,960
Total Permanent for the Agency	3,000	122,513,707	3,000	125,712,607	---	+3,198,900
Summary of Positions						
Total Permanent, Departmental	1,048	45,410,401	1,048	46,327,776	---	+917,375
Total Permanent, Field	1,952	77,103,306	1,952	79,384,831	---	+2,281,525
Total Permanent for the Agency	3,000	122,513,707	3,000	125,712,607	---	+3,198,900
Deduct Lapses	-817		-780			
Net Permanent for the Agency	2,183		2,220		+37	

NATIONAL LABOR RELATIONS BOARD
Comparison of 1990 and 1991 Positions, Annual Salaries and Personnel Compensations for the Organizational Units of the Agency
(in thousands of dollars)

	Fiscal Year 1990 Estimate	Fiscal Year 1991 Request	Change from 1990 Estimate to 1991 Request
Total Permanent, Departmental.....	45,624	46,541	+917
Total Permanent, Field.....	77,103	79,385	+2,282
Total Permanent for the Agency.....	122,727	125,926	+3,199
Deduct Lapses.....	-31,945	-29,884	+2,061
Net Permanent for the Agency.....	90,782	96,042	+5,260
Positions other than Permanent.....	1,713	1,801	+88
Other Personnel Compensation (Overtime and Holiday Pay).....	1,000	1,125	+125
Special Personal Services Payments (Compensation of Witnesses).....	175	190	+15
Total 11 Personnel Compensation.....	93,670	99,158	+5,488

TABLE II

NATIONAL LABOR RELATIONS BOARD
Comparative Table of Obligations by Object
for 1990 and 1991 Fiscal Years
(in thousands of dollars)

		FISCAL YEAR 1990 ESTIMATE	FISCAL YEAR 1991 REQUEST	CHANGE FROM 1990 ESTIMATE TO 1991 REQUEST
11	Personnel Compensation	93,670	99,158	+5,488
12	Personnel Benefits	15,000	15,851	+851
21	Travel and Transportation of Persons	3,700	3,700	---
22	Transportation of Things	180	185	+5
23	Rent, Communications & Utilities:			
	Communications & Rentals	4,470	3,750	-720
	Standard Level User Charges (SLUC)	15,723	19,517	+3,794
24	Printing and Reproduction	408	435	+27
25	Other Services	2,915	2,915	---
	Reporting Costs	1,400	1,427	+27
26	Supplies and Materials	1,065	1,085	+20
31	Equipment	1,440	2,940	+1,500
42	Insurance Claims and Indemnities	140	140	---
	Total Obligations	140,111	151,103	+10,992

29-886 O—90—17

NATIONAL LABOR RELATIONS BOARD
Comparison of 1990 and 1991 Estimated Average Employment
for the Organizational Units of the Agency
(Full-time Equivalent Employment Only)

Organizational Units	FISCAL YEAR 1990 ESTIMATE	FISCAL YEAR 1991 REQUEST	CHANGE FROM 1990 ESTIMATE TO 1991 REQUEST
Board Members' Offices & Related Units:			
Board Members' Offices and Legal Assistants	134.0	129.0	-5.0
Office of the Executive Secretary	24.0	23.0	-1.0
Division of Information	8.0	8.0	---
Office of the Solicitor	5.0	5.0	---
Division of Judges	122.0	118.0	-4.0
Subtotal, Board Members and Related Units	293.0	283.0	-10.0
Inspector General	3.5	5.0	+1.5
General Counsel & Staff:			
Office of the General Counsel	10.0	10.0	---
Division of Operations Management:			
Management Staff	38.0	38.0	---
Field Staff:			
Management	99.0	99.0	---
All Other Field Professionals	850.9	904.6	+53.7
Field Clericals	473.1	465.9	-7.2
Subtotal, Field Staff	1,423.0	1,469.5	+46.5
Subtotal, Div. of Operations Management	1,461.0	1,507.5	+46.5
Division of Advice	44.0	44.0	---

NATIONAL LABOR RELATIONS BOARD
Comparison of 1990 and 1991 Estimated Average Employment
for the Organizational Units of the Agency
(Full-time Equivalent Employment Only)

Organizational Units	FISCAL YEAR 1990 ESTIMATE	FISCAL YEAR 1991 REQUEST	CHANGE FROM 1990 ESTIMATE TO 1991 REQUEST
General Counsel & Staff (cont'd):			
Division of Enforcement Litigation:			
Office of Associate General Counsel....	4.0	4.0	---
Supreme Court Branch.....	3.5	3.5	---
Appellate Court Branch.....	83.0	83.0	---
Litigation Services Section.....	12.0	12.0	---
Office of Appeals.....	39.0	38.0	-1.0
Subtotal, Division of Enforcement Litigation.....	141.5	140.5	-1.0
Division of Administration.....	230.0	230.0	---
Subtotal, General Counsel & Staff.....	1,886.5	1,932.0	+45.5
Total Permanent for the Agency.....	2,183.0	2,220.0	+37.0
Summary of Average Employment			
Total FTE, Departmental.....	760.0	750.5	-9.5
Total FTE, Field.....	1,423.0	1,469.5	+46.5
Net FTE for the Agency.....	2,183.0	2,220.0	+37.0
Staff-years for Employment other than FTE.....	5.0	5.0	---

TABLE IV

NATIONAL LABOR RELATIONS BOARD
Comparison of Program and Finance by Activities
for 1990 and 1991 Fiscal Years
(in thousands of dollars)
(Obligation Basis)

Description	FISCAL YEAR 1990 ESTIMATE	FISCAL YEAR 1991 REQUEST	CHANGE FROM 1990 ESTIMATE TO 1991 REQUEST
Program By Activities:			
1. Field Investigation.....	90,372	98,368	+7,996
2. Administrative Law Judge Hearing..	19,335	19,794	+459
3. Board Adjudication.....	14,572	14,506	-66
4. Securing Compliance with Board Order.....	15,832	18,435	+2,603
Total Obligations.....	140,111	151,103	+10,992
Financing:			
Appropriation.....	140,111	151,103	+10,992

Exhibits

A. Explanation of Types of Cases

B. Outline of Representation Procedures Under Section 9(c)

C. Basic Procedures in Cases Involving Charges of Unfair Labor Practice

D. National Labor Relations Board Enforcement Chart

NOTE: These exhibits provide, in concise form, outlines of the types of cases arising under the Labor Management Relations Act and the basic procedures in the processing of these cases within the Agency and in the Courts.

TYPES OF CASES

I. CHARGES OF UNFAIR LABOR PRACTICES (C CASES)

Charge Against Employer

Section of the Act CA

8(a)(1) To interfere with, restrain, or coerce employees in exercise of their rights under Section 7 (to join or assist a labor organization or to refrain).

8(a)(2) To dominate or interfere with the formation or administration of a labor organization or contribute financial or other support to it.

8(a)(3) By discrimination in regard to hire or tenure of employment or any term or condition of employment to encourage or discourage membership in any labor organization.

8(a)(4) To discharge or otherwise discriminate against employees because they have given testimony under the Act.

8(a)(5) To refuse to bargain collectively with representatives of its employees.

Charge Against Labor Organization

Section of the Act CB

8(b)(1)(A) To restrain or coerce employees in exercise of their rights under Section 7 (to join or assist a labor organization or to refrain).

8(b)(1)(B) To restrain or coerce an employer in the selection of its representatives for collective bargaining or adjustment of grievances.

8(b)(2) To cause or attempt to cause an employer to discriminate against an employee.

8(b)(3) To refuse to bargain collectively with employer.

8(b)(5) To require of employees the payment of excessive or discriminatory fees for membership.

8(b)(6) To cause or attempt to cause an employer to pay or agree to pay money or other thing of value for services which are not performed or not to be performed.

Section of the Act CC

8(b)(4)(i) To engage in, or induce or encourage any individual employed by any person engaged in commerce or in an industry affecting commerce, to engage in a strike, work stoppage, or boycott, or (ii) to threaten, coerce, or restrain any person engaged in commerce or in an industry affecting commerce, where in either case an object is:

(A) To force or require any employer or self-employed person to join any labor or employer organization or to enter into any agreement prohibited by Sec. 8(e).

(B) To force or require any person to cease using, selling, handling, transporting, or otherwise dealing in the products of any other producer, processor, or manufacturer, or to cease doing business with any other person, or force or require any other employer to recognize or bargain with a labor organization or the representative of its employees unless such labor organization has been so certified.

Section of the Act CD

(C) To force or require any employer to recognize or bargain with a particular labor organization as the representative of its employees if another labor organization has been certified as the representative.

(D) To force or require any employer to assign particular work to employees in a particular labor organization or in a particular trade, craft, or class rather than to employees in another trade, craft, or class unless such employer is failing to conform to an appropriate Board order or certification.

Section of the Act CE

8(g) To strike, picket, or other wise concertedly refuse to work at any health care institution without notifying the institution and the Federal Mediation and Conciliation Service of striking 10 days prior to such action.

Section of the Act CP

8(b)(7) To picket, cause, or threaten the picketing of any employer where an object is to force or require an employer to recognize or bargain with a labor organization as the representative of its employees, or to force or require the employees of an employer to select such labor organization as their collective bargaining representative, unless such labor organization is currently certified as the representative of such employees:

(A) where the employer has lawfully recognized any other labor organization and a question concerning representation may not appropriately be raised under Section 9(c);

(B) where within the preceding 12 months a valid election under Section 9(c) has been conducted, or

(C) where picketing has been conducted without a petition under 9(c) being filed within a reasonable period of time not to exceed 30 days from the commencement of the picketing; except where the picketing is for the purpose of truthfully advising the public (including consumers) that an employer does not employ members of, or have a contract with, a labor organization, and it does not have an effect of interference with deliveries or services.

Charge Against Labor Organization and Employer

Section of the Act CE

8(e) To enter into any contract or agreement (any labor organization and any employer) whereby such employer ceases or refrains or agrees to cease or refrain from handling or dealing in any product of any other employer, or to cease doing business with any other person.

II. PETITIONS FOR CERTIFICATION OR DECERTIFICATION OF REPRESENTATIVES (R CASES)

By or in Behalf of Employees

Section of the Act RC

9(c)(1)(A)(i) Alleging that a substantial number of employees wish to be represented for collective bargaining and their employer declines to recognize their representative.*

Section of the Act RD

9(c)(1)(A)(ii) Alleging that a substantial number of employees assert that the certified or currently recognized bargaining representative is no longer their representative.*

By an Employer

Section of the Act RM

9(c)(1)(B) Alleging that one or more claims for recognition as exclusive bargaining representative have been received by the employer.*

III. OTHER PETITIONS

By or in Behalf of Employees

Section of the Act UD

8(b)(3) Alleging that employees (30 percent or more of an appropriate unit) wish to rescind an existing union security agreement.

By a Labor Organization or an Employer

Board Rules UC

Subpart C Seeking clarification of an existing bargaining unit.

Board Rules AC

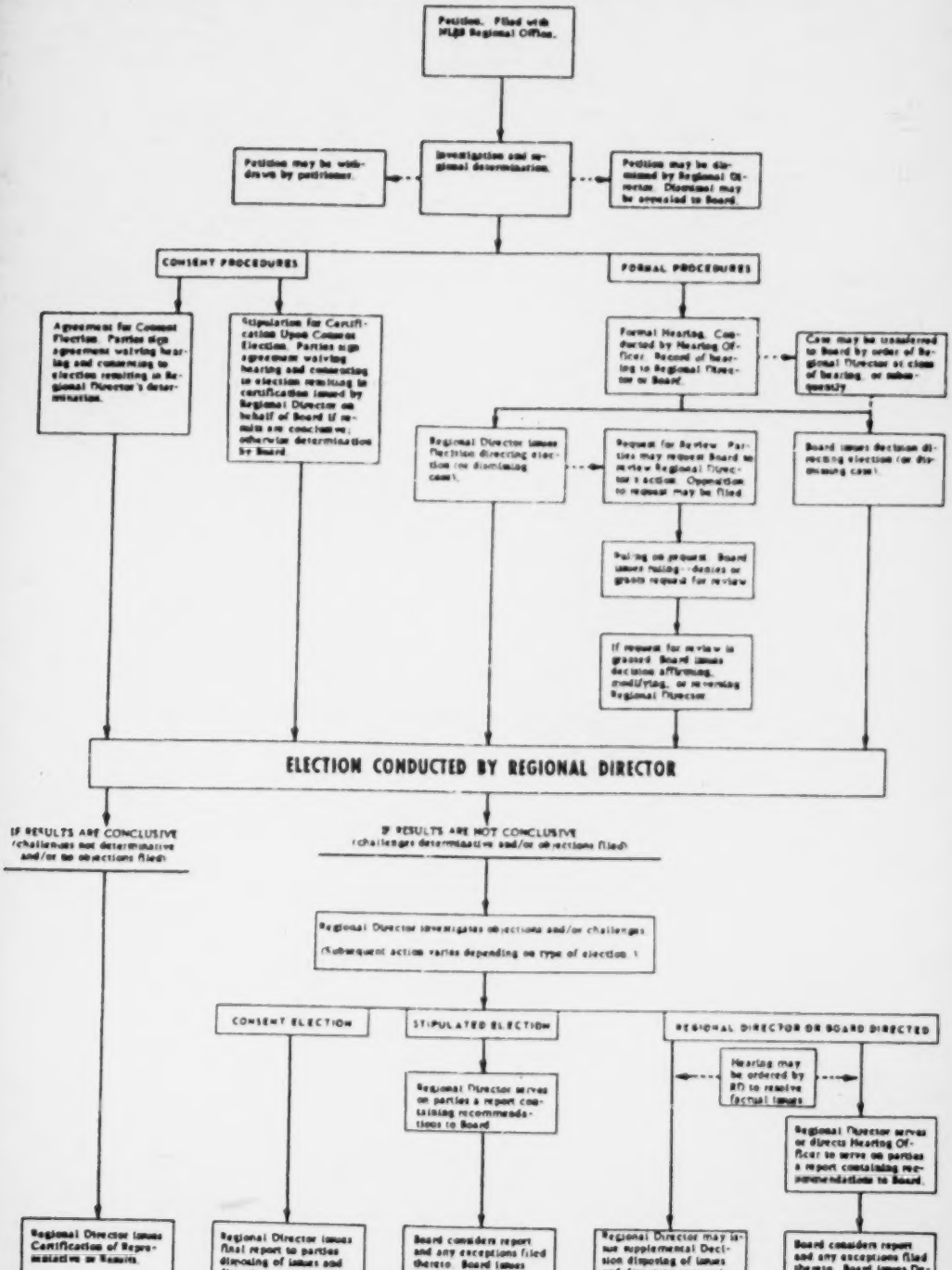
Subpart C Seeking amendment of an outstanding certification of bargaining representative.

* If an 8(b)(7) charge has been filed involving the same employer, these documents in RC, RD, and RM petitions are not required.

Charges filed with the National Labor Relations Board are letter-coded and numbered. Unfair labor practice charges are classified as "C" cases and petitions for certification or decertification of representatives as "R" cases. This chart indicates the letter codes used for "C" cases and "R" cases, and also presents a summary of each section involved.

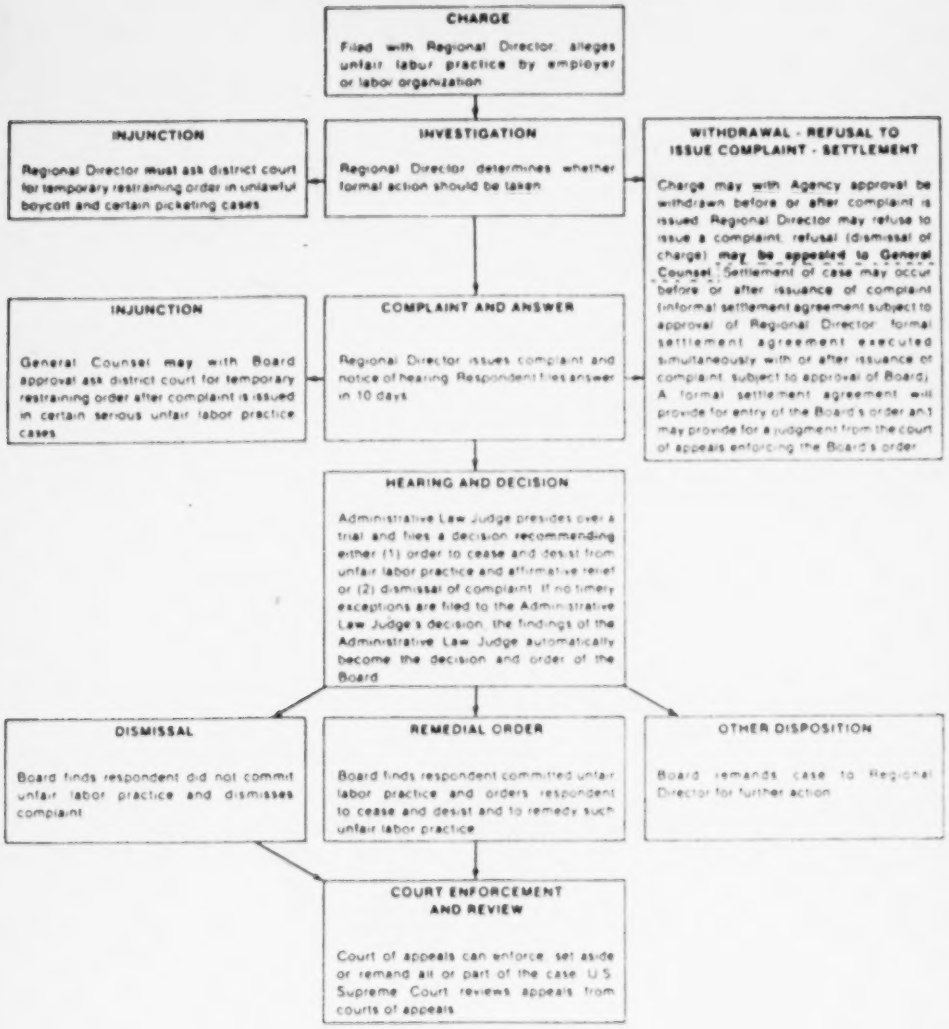
Revised 12/78

OUTLINE OF REPRESENTATION PROCEDURES UNDER SECTION 9(c)

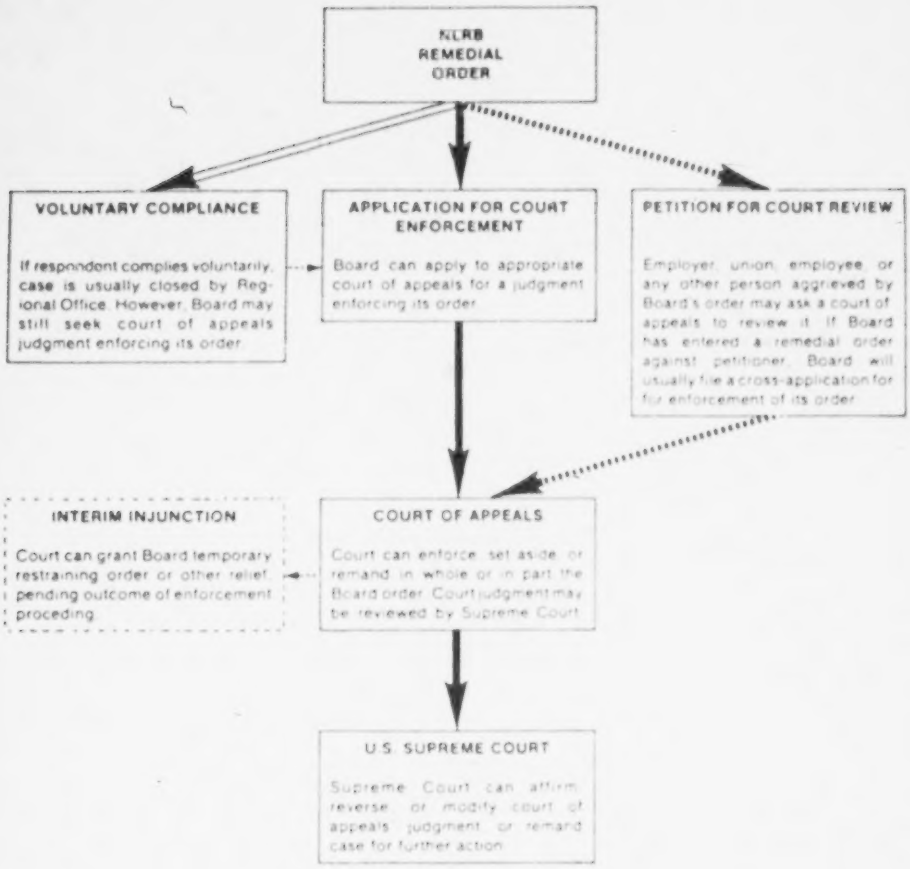

Petition. Filed with NLRB Regional Office.
Petition may be withdrawn by petitioner.
Investigation and regional determination.
Petition may be dismissed by Regional Director. Dismissal may be appealed to Board.
CONSENT PROCEDURES
FORMAL PROCEDURES
Agreement for Consent Election. Parties sign agreement waiving hearing and consenting to election resulting in Regional Director's determination.
Stipulation for Certification Upon Consent Election. Parties sign agreement waiving hearing and consenting to election resulting in certification issued by Regional Director on behalf of Board if results are conclusive; otherwise determination by Board.
Formal Hearing. Conducted by Hearing Officer. Record of hearing to Regional Director or Board.
Case may be transferred to Board by order of Regional Director or close of hearing, or subsequently.
Regional Director issues Decision directing election (or dismissing case).
Request for Review. Parties may request Board to review Regional Director's action. Opposition to request may be filed.
Board issues decision directing election (or dismissing case).
Ruling on request. Board issues ruling denies or grants request for review.
If request for review is granted Board issues decision affirming, modifying, or reversing Regional Director.
ELECTION CONDUCTED BY REGIONAL DIRECTOR
IF RESULTS ARE CONCLUSIVE (challenges not determinative and/or no objections filed)
IF RESULTS ARE NOT CONCLUSIVE (challenges determinative and/or objections filed)
Regional Director investigates objections and/or challenges. (Subsequent action varies depending on type of election.)
CONSENT ELECTION
STIPULATED ELECTION
REGIONAL DIRECTOR OR BOARD DIRECTED
Hearing may be ordered by RD to resolve factual issues
Regional Director serves on parties a report containing recommendations to Board.
Regional Director serves or directs Hearing Officer to serve on parties a report containing recommendations to Board.
Regional Director issues Certification of Representative or Results.
Regional Director issues final report to parties disposing of issues and directing appropriate action or certifying representative or results of election.
Board considers report and any exceptions filed thereto. Board issues Decision directing appropriate action or certifying representative or results of election.
Regional Director may issue supplemental Decision disposing of issues and directing appropriate action or certifying representative or results of election. (Supplemental Decision subject to review procedure set forth above.)
Board considers report and any exceptions filed thereto. Board issues Decision directing appropriate action or certifying representative or results of election.

NATIONAL LABOR RELATIONS BOARD

BASIC PROCEDURES IN CASES INVOLVING CHARGES OF UNFAIR LABOR PRACTICES


CHARGE
Filed with Regional Director alleges unfair labor practice by employer or labor organization
INJUNCTION
Regional Director must ask district court for temporary restraining order in unlawful boycott and certain picketing cases
INVESTIGATION
Regional Director determines whether formal action should be taken
WITHDRAWAL - REFUSAL TO ISSUE COMPLAINT - SETTLEMENT
Charge may with Agency approval be withdrawn before or after complaint is issued. Regional Director may refuse to issue a complaint, refusal (dismissal of charge) may be appealed to General Counsel. Settlement of case may occur before or after issuance of complaint (informal settlement agreement subject to approval of Regional Director, formal settlement agreement executed simultaneously with or after issuance of complaint, subject to approval of Board). A formal settlement agreement will provide for entry of the Board's order and may provide for a judgment from the court of appeals enforcing the Board's order.
INJUNCTION
General Counsel may with Board approval ask district court for temporary restraining order after complaint is issued in certain serious unfair labor practice cases.
COMPLAINT AND ANSWER
Regional Director issues complaint and notice of hearing. Respondent files answer in 10 days.
HEARING AND DECISION
Administrative Law Judge presides over a trial and files a decision recommending either (1) order to cease and desist from unfair labor practice and affirmative relief or (2) dismissal of complaint. If no timely exceptions are filed to the Administrative Law Judge's decision, the findings of the Administrative Law Judge automatically become the decision and order of the Board.
DISMISSAL
Board finds respondent did not commit unfair labor practice and dismisses complaint.
REMEDIAL ORDER
Board finds respondent committed unfair labor practice and orders respondent to cease and desist and to remedy such unfair labor practice.
OTHER DISPOSITION
Board remands case to Regional Director for further action.
COURT ENFORCEMENT AND REVIEW
Court of appeals can enforce, set aside or remand all or part of the case. U.S. Supreme Court reviews appeals from courts of appeals.

NLRB ORDER ENFORCEMENT CHART


NLRB REMEDIAL ORDER
VOLUNTARY COMPLIANCE
If respondent complies voluntarily, case is usually closed by Regional Office. However, Board may still seek court of appeals judgment enforcing its order.
APPLICATION FOR COURT ENFORCEMENT
Board can apply to appropriate court of appeals for a judgment enforcing its order.
PETITION FOR COURT REVIEW
Employer, union, employee, or any other person aggrieved by Board's order may ask a court of appeals to review it. If Board has entered a remedial order against petitioner, Board will usually file a cross-application for for enforcement of its order.
INTERIM INJUNCTION
Court can grant Board temporary restraining order or other relief pending outcome of enforcement proceding.
COURT OF APPEALS
Court can enforce, set aside, or remand, in whole or in part the Board order. Court judgment may be reviewed by Supreme Court.
U.S. SUPREME COURT
Supreme Court can affirm, reverse, or modify court of appeals judgment or remand case for further action.

MONDAY, APRIL 2, 1990.

NATIONAL COMMISSION ON LIBRARIES AND INFORMATION SCIENCE

WITNESSES

CHARLES E. REID, CHAIRMAN

DR. SUSAN K. MARTIN, EXECUTIVE DIRECTOR

MARY ALICE HEDGE RESZETAR, ASSOCIATE EXECUTIVE DIRECTOR

Mr. STOKES. The committee will now go to the National Commission on Libraries and Information Science.

Mr. Reid, the Chair recognizes you as chairman of the Commission. If you would like, you may tell us who you have with you and you may proceed in terms of your opening statement.

INTRODUCTION OF ASSOCIATES

Mr. REID. Thank you very much, sir. To my right is Dr. Susan Martin, who is the Executive Director of the National Commission on Library and Information Science. To my left is Mary Alice Hedge Reszetar, Associate Executive Director. We have in the audience Eleanor Hashim, Chairman Emeritus of NCLIS from Columbus, Ohio, by the way, and Jane Williams who is a new NCLIS Research Associate, formerly the state librarian of North Carolina and Linda Resnik, Executive Director of the White House Conference staff for NCLIS.

Mr. STOKES. Thank you, very much. It is good to have you all with us. You may proceed.

BUDGET REQUEST

Mr. REID. Thank you, Mr. Chairman and Members of the subcommittee, I am Charles E. Reid, Chairman of the National Commission on Libraries and Information Science. I am pleased to present you with the Administration's fiscal year 1991 budget request, which totals $777,000. This budget represents a $27,000 or 3.5 percent increase over the appropriation for the current 1990 fiscal year. This amount of funding allows us to maintain a full staffing level of 10 full-time permanent and two part-time positions in order to carry out the programs and activities of the Commission which I shall review here.

It is critical that the Commission be able to achieve and maintain at least its current basic staffing level and meet our other necessary expenses during fiscal year 1991. This amount allows us to do so by holding staff vacancies open for several months, in both fiscal year 1990 and 1991. We remain committed to work towards meeting the Commission's mandate while also aiming toward full staffing. In order to permit the appropriation of a budget figure

higher than our current fiscal year 1990 appropriation of $750,000, we have developed a set of technical amendments to our enabling legislation which would remove the existing $750,000 cap on appropriations for the Commission.

PROGRAM AREAS

Our unique mandate, as expressed in Public Law 91-345 as amended, requires the Commission to advise both the President and Congress on national library and information needs, and to coordinate efforts with Federal, state and local governments, as well as the public and private sectors, to achieve the goal of providing library and information services adequate to meet the needs of the people of the United States.

The complexity and comprehensiveness of this mandate, when compared with the small size and limited resources of the Commission, requires us to concentrate our efforts into carefully selected high priority areas. For the past several years we have worked within four broad program areas: Literacy; Democracy; Productivity; and Policy, Planning, and Advice to the Federal Government. Within each of these program areas, the Commission typically holds hearings, conducts studies, works with other appropriate organizations, and reports our findings to the President, Congress and the library and information community.

Because of the level of resources available and a desire on the part of the Commission to make a critical impact in several key high priority areas, our plan for fiscal year 1991 shifts primary emphasis to the role of providing policy, planning, and advice to the Federal Government. White Papers may be published on such topics as the dissemination of government information; library and information services to special populations, focusing particularly on immigrant populations, the elderly and the handicapped; measuring the value of library and information services; and an examination of the public and private sector interface in the information industry and its effect upon society. The publication of such papers would be followed by field hearings and liaison work with involved government agencies and other organizations in order to develop policies out of the White Papers and public hearing process. The Commission sees this as the path to providing the greatest contribution within the limitations of a small Federal agency.

I would now like to briefly review activities and plans for each of the four program areas:

LIBRARY SERVICES FOR LITERACY

Literacy: The Commission's primary goal in this program is to promote and support efforts at all levels of government—Federal, state and local—to provide equity of access to library and information services for all citizens. Activities of the Literacy program are centered on the development of information skills, development of a national library statistics program, information resource sharing, and the dissemination of government information.

During the 1989 and 1990 fiscal years, the Commission has had a nationally visible and productive role in the Literacy program. We presented our second annual Recognition Award to Reader's Digest

for its contributions to literacy efforts throughout the Nation. We co-sponsored a symposium on information literacy which brought together representatives of 24 national education organizations with school library experts and produced a report with 40 recommendations for improving information literacy through resource-based learning. We developed and participated in a joint program with the American Library Association to encourage every American child to obtain a library card. We published a report of the Federal-State Cooperative Statistics project, detailing for the first time, uniform data on the use of public libraries from 44 states and the District of Columbia.

In 1991 we will continue the annual Recognition Awards to highlight contributions and innovative efforts in providing library and information services to meet the needs of American citizens. We will continue to disseminate and promote the recommendations of the information literacy symposium, and work towards creating an awareness of the importance of access to and use of information to support critical thinking and life-long decision making. We call this adding a fourth "R" to reading, writing and arithmetic—Research. In order to gain a better understanding of the use of public libraries nationally and to provide research information to state and local governments, we will continue to develop, for the National Center for Educational Statistics (NCES), the Federal-State Cooperative Statistical Program, FSCS, and expect to expand it to all 50 states. This project marks the first time, that standardized information on public libraries has been collected on a national level. In addition, the Commission will continue working to design a system for collecting data on school libraries and their services. Under the present agreement with NCES, the FSCS cooperative program is now taking specific steps toward the improvement of national statistics for academic libraries and school library media centers. The FSCS cooperative program has also assisted in the organization of a User Review Panel to review and counsel NCES on the further development of library statistics. This panel is also developing recommendations on statistics both needed and desirable for the White House Conference on Library and Information Services and the state and territorial conferences that will precede the 1991 National Conference.

LIBRARY SERVICES FOR DEMOCRACY

Democracy: One of the purposes of the Commission program on Democracy is to encourage the strengthening of local libraries and information centers as primary resources for local governmental officials, citizens and other decision-makers. This area of activity includes provision of and access to information for local governance, as well as the preservation and conservation of the records of our Nation's cultural heritage held by libraries.

We have recently participated in a partnership with the National Archives and Records Administration (NARA) to develop guidelines for preserving Federal Government records in electronic format. The Commission passed a resolution in January 1989 supporting congressional efforts to establish a national policy on the use of permanent paper.

Plans for fiscal year 1991 call for securing private sector funding for a videotape illustrating citizen use of the public library for informed governance of local municipalities. Using models that are analogous to the Congressional Research Service at the local level, three programs in libraries will be featured to encourage replication in other localities. We plan to urge these information providers at the local level to speak at appropriate conferences, workshops and other vehicles for publicizing these programs. The Commission will also continue to promote efforts on conservation and preservation of library materials. Once a national policy on the use of permanent paper is established, we will work towards the implementation of such policies in partnership with state and local governments, as well as the Federal Government.

LIBRARY SERVICES FOR PRODUCTIVITY

Productivity: The Commission program on Productivity is concerned with determining the role of information in the economy, including how the management of information resources and the effective use of information technology can contribute to productivity. Also included are programs promoting library and information services to improve the quality of life and to help individuals become more productive members of society.

A major new component of this program began in January 1989 when the Commission held field hearings in the Southwest on the status of library and information services to Native Americans living on or near reservations. As an outcome of these hearings, the Commission organized a task force to make recommendations on the improvement of such services to Native Americans.

The task force, which includes representatives from the Commission, the Department of Education, the Bureau of Indian Affairs, the Department of Commerce and private organizations, is presently at work and the development and implementation of their recommendations will extend through fiscal year 1991. As part of this effort, the Commission is also represented on the White House Interagency Task Force on Indian Affairs.

In the fall of this year we will hold a meeting, probably in Connecticut, in conjunction with which we will hold hearings on the library and information services to Indian tribes of Maine, Massachusetts, New Hampshire, Vermont, Rhode Island, Connecticut, and New York. It is anticipated that we will have a total of five such hearings, the others being located in the Northwest and in the northern Midwest area. That should cover the major areas of the Indian population.

ASSISTANCE TO DECISIONMAKERS

Our program of Policy, Planning and Advice to the Federal Government is concerned with national and international library and information policy issues. Such issues include dissemination of government information, censorship, freedom of information, government information in electronic format, appropriate roles of the public and private sectors in library and information services, and analysis of and comment on legislation relating to library and information science and services.

PRINCIPLES OF PUBLIC INFORMATION POLICIES

A major effort in this program area is currently underway to develop a set of "Principles for Public Information Policies". These principles are meant to provide guidance to the Federal Government and others in the public and private sectors who deal with information policy issues. As an outgrowth of our recent hearing on the Office of Technology Assessment's report "Informing the Nation," an open forum to discuss national information policies was held early in fiscal year 1990. From this came the establishment by the Commission of an Information Policies Task Force, which has prepared a draft policy statement to be published for comment in the Federal Register. After holding a second public forum on April 30 to discuss the principles, the Commission will move later this year to adopt a final set of public information policies principles. During fiscal year 1991 we plan to widely disseminate and promote these principles and suggest their consideration at the state and local government levels as well.

In fiscal year 1990 the Commission has provided Congress with technical advice on pending legislation such as the Paperwork Reduction Act reauthorization and Senator Gore's bill establishing a National Research and Education Network. We will continue to monitor legislation for appropriate Commission comment.

Plans are in place for research into library-related issues that will be taken up as part of the Higher Education Act reauthorization, and the Commission has also directed that research take place on the critical issue facing libraries of significantly rising prices for serial publications. This issue has formidable implications for U.S. research efforts and productivity.

WHITE HOUSE CONFERENCE ON LIBRARY AND INFORMATION SERVICES

1991 White House Conference on Library and Information Services: During fiscal years 1989 and 1990 the Commission has been very active in preparing for the second White House Conference on Library and Information Services to be held in July 1991. Commission members serve on the WHCLIS Advisory Committee and the NCLIS Associate Executive Director is serving as official liaison to the White House Conference. The Commission has recently announced the designation of an Executive Director for the White House Conference staff, and that individual will oversee an expansion of staff within that office.

The White House Conference on Library and Information Services was authorized by Public Law 100-382 to develop recommendations for further improvement of library and information services to increase productivity, expand literacy, and strengthen democracy. Fifty-seven states and territories will participate in the White House Conference in addition to the Indian Tribes and Federal Library Community, and will develop their own preconference activities, ranging from regional meetings to Governors' Conferences. An amount of $6 million has been authorized by Congress for purposes of the White House Conference; the appropriation to date is $4.975 million.

We are very proud of the progress to date in developing activities at the state and territorial level as well as preparing for the na-

tional White House Conference itself. Fiscal year 1991 will see a high level of activity as the Commission supports this effort for a nationwide library and information services needs assessment, on which policies and priorities to take us toward the year 2000 and beyond will be established.

Thank you for the opportunity to testify today. I will be glad to answer any questions you may have.

Mr. STOKES. Thank you, very much, Mr. Reid. We appreciate your opening statement.

Can you tell us how long you have served as Commission chairman?

COMMISSION CHAIRMAN

Mr. REID. I was appointed officially about a month ago.

Mr. STOKES. Your interest in libraries, we note, goes back over 30 years. Would you review for the record your background specifically as it relates to library issues?

Mr. REID. My background has been primarily in the public libraries and the school library sector through my association with boards of education and community college activities. I have been on state advisory boards, served as state president of the American Library Trustees Association as well as national president. I have had a full range of library service. I also served on the National Archives Advisory Board for two straight terms.

TECHNICAL AMENDMENTS FOR NCLIS

Mr. STOKES. This is the fourth year in a row that the Commission has submitted a budget request in excess of its authorized ceiling. Why does the Commission submit a request that exceeds the amounts allowed by law?

Mr. REID. I think some of my statements address that. With the dwindling value of the dollar the actual values are eroding to the point that where if we don't get increased authorization, we will have to limit personnel.

Mr. STOKES. Last year Ms. Reszetar testified that the technical amendments to raise your authorization had been approved by the Office of Management and Budget and were at final drafting at legislative council. What has happened in this area since you testified 12 months ago? Was the legislation ever transmitted to Congress?

Mr. REID. The amendments went to OMB March 14, 1990. The amendments are in the process of being communicated to the Speaker of the House and the authorizing committee.

LIBRARY SERVICES AND CONSTRUCTION ACT

Mr. STOKES. Congress has just completed action to reauthorize the Library Services and Construction Act. Did the Commission testify before Congress on this legislation?

Mr. REID. I don't believe we testified. We did send a letter in support of the Library Services and Construction Act.

Mr. STOKES. How about the Commission participating in the drafting of any of the versions of the bill either for the executive or legislative branches?

Mr. REID. There were some minor recommendations that we made. By the time they were made, the bill was significantly in place.

Mr. STOKES. Isn't the Library Services Act the legislative vehicle where your increased authorization should have been considered?

Mr. REID. I don't think so.

Ms. RESZETAR. That was one of the vehicles that we did look into. However, at the time the political climate was not such that it was felt appropriate by Congressional staff.

Mr. STOKES. We are a little concerned about why it took a full year to be able to get the legislation transmitted. Can you enlighten us on that?

Ms. RESZETAR. I will attempt to. We too were concerned about that. The Office of Management and Budget had given us authorization prior to the time we testified last year.

After we testified they came back and said we had to do it a different way, which we have now done. They have just again authorized it in a different way. But we are back to finding a vehicle to which to attach it.

Mr. STOKES. If your authorization is not raised for 1991, tell us which activities in your proposed budget will be eliminated or scaled back.

Mr. REID. Actually we will probably have to scale back one staff member. We have not really defined any specific area. I assume the very base of the various programs will have to erode. I cannot give you at this time any specific which will be eliminated other than the absence of staff.

There has to be a negative impact on our ability to perform our mandate.

NCLIS PRODUCTS

Mr. STOKES. Other than your annual report which is required by law, what were the principal products of the Commission during the past year?

Mr. REID. There are several. This is a copy of the Federal-State Cooperative System for Public Library Data report which I referred to before. This is a copy of an Action Plan for a Federal-State Cooperative System for Public Library Data. We have also published the White House Conference Guidelines which is a complete manual that went out to the 57 states and territories.

In my testimony, I did touch upon the guidelines for information policies about which we are holding a hearing in Washington on April 30, in addition to the transcripts of the various hearings we have had on Library and Information Services to Native Americans.

NCLIS PERSONNEL

Mr. STOKES. Mr. Reid, about two-thirds of your budget goes for personnel costs. I believe your current estimate of these costs in 1990 is $535,000. How many staff are authorized and how many are currently filled?

Mr. REID. We have authorization for 12, we have two existing vacancies. We have nine and a half people right now plus the Commissioners' salaries, of course.

Mr. STOKES. According to our records these personnel costs have increased 35 percent between fiscal year 1988 and 1990. Tell us why these costs have increased so rapidly in the last two years.

Ms. MARTIN. Mr. Chairman, in fiscal 1988 and the early part of 1989, the Commission had several vacancies. The Executive Director position, for example, was vacant for about eight months, as were two research associate positions and one support staff position.

Mr. STOKES. How do you determine the rates of pay for the various staff?

Ms. MARTIN. For various staff we have job descriptions and salary scales that have been worked through together with the Department of Education Personnel Office, which is our servicing agency. When we hire at whatever level, whether it is secretarial or professional staff at GS-12 or whatever the position is, we insure that the person whom we are hiring fits the qualifications that are required.

Mr. STOKES. What is the maximum compensation and rate expected to be paid to any staff person in fiscal year 1991, including any bonuses?

Ms. MARTIN. In 1991, there is one slot that is a SES slot that will increase, as I understand it, with the increase that has been approved by Congress. That would be $97,000.

Mr. STOKES. Have you also budgeted for any bonuses?

Ms. MARTIN. No. We're not really able to.

Mr. STOKES. I would like for you to insert in the record at this point a list of each of the Commission's staff positions with the annual rate of pay for fiscal year 1989, 1990, and 1991.

[The information follows:]

National Commission on Libraries and Information Science

Staff Positions and Salaries

Position Title	Grade	1989 Salaries (10 FTE)	1990 Salaries (9.5 FTE)	1991 Salaries (9.5 FTE)
Executive Director	ES	$ 76,400	$ 76,687	$ 79,546
Assoc Exec Dir	15	70,493	73,592	75,008
Research Associate	14	51,832	53,513	39,984[7]
Research Associate	14	11,905[1]	56,892	59,012
Research Associate	14	36,444[2]	24,547[4]	42,915
Research Associate	13	35,268[3]	18,740[5]	22,786
Staff Assistant	11	29,814	23,493[6]	31,902
Administrative Officer	11	31,738	31,861	33,048
Secretary	08	27,530	27,440	28,463
Secretary	07	22,743	22,832	23,683
TOTAL		$ 394,165	$ 409,597	$ 436,347

1 Filled for 2 5 months
2 Filled for 9 months.
3 Filled for 10 months.
4 Expected to be vacant at least 5 months
5 Changed to half-time; filled for 10 5 months
6 Expected to be vacant at least 3 months.
7 Expected to be vacant at least 3 months

NCLIS MEETINGS AND HEARINGS

Mr. STOKES. Can you tell us how many meetings were held by the Commission in 1989, and how many are expected in 1990 and 1991?

Mr. REID. In 1989 we held four meetings. We anticipate holding the same amount in the next fiscal year.

Mr. STOKES. 1990 and 1991 will be the same?

Mr. REID. Yes, sir. That is in addition to special hearings which we will have.

Mr. STOKES. How many of those do you generally have?

Mr. REID. I anticipate a minimum of two or three hearings next fiscal year. Some will be on information policies and at least one on the library and information services to Native Americans.

Mr. STOKES. No special meetings in 1990?

Mr. REID. The ones on the Native Americans were held in conjunction with other meetings. We extend the meetings or add those on to Commission meetings to save expenses. We also held a hearing on information policies in conjunction with a Commission meeting.

Mr. STOKES. How many of your Commissioners are at a typical meeting?

Mr. REID. This year it is hard to say because we have had a lot of vacancies. We were down earlier this year to seven voting Commissioners out of 15. We presently stand at 11 out of 15. There currently are four vacancies on NCLIS in addition to the two vacancies on the White House Conference Advisory Committee, so we suffer from those problems.

Mr. STOKES. Does the Librarian of Congress attend most of your meetings?

Mr. REID. Either he or an assistant.

Mr. STOKES. Would you describe attendance at each of your meetings during the last two years? Now, Mr. Chairman, what is the Commission's specific responsibility for the White House Conference on Libraries to be held next year?

Mr. REID. It is our job to plan, conduct and oversee the Conference. I don't have the actual mandate of the law before me but it comes under the jurisdiction of the National Commission. Even though we have a separate staff for that, it is under our administrative responsibility.

WHITE HOUSE CONFERENCE

Mr. STOKES. Congress agreed to a final appropriation of $5,000,000 for the White House Conference last fall. Has the final spending plan been prepared for the conference at this funding level?

Mr. REID. The spending plan is under process. The original spending plan as affecting monies going out to the states has been put into effect and FY 89 money has been distributed to the states.

Very frankly, we are looking for additional appropriation up to the authorization level so we can finalize our budget plan. We would actually do a two-phase budget based on the current funding level of $4,975,000 and the authorized level of $6,000,000.

But we have not completed the budget plans at this point. We have the preliminary budget. We have not completed the final budget.

Mr. STOKES. I would appreciate it if in the record you would put a full statement regarding this question for us and feel free to expand upon it.

[The information follows:]

The spending plan for the $5 million is undergoing final review by the staff, appropriate White House Conference Advisory Committee members and NCLIS Commissioners to ensure that adequate consideration has been given to the most critical Conference components. Previous spending plans at higher funding levels were revised into an interim spending plan after the appropriation last fall. However, the Committee and NCLIS believed that the final spending plan required the consideration of the Conference Executive Director, who did not come on board until the end of February. Since that time, the staff and the Commission have been assessing priorities and identifying the Conference elements that can be funded from the existing appropriated funds and those that must await other sources of funding.

REIMBURSABLE OBLIGATIONS

Mr. STOKES. How much money did the Commission receive in fiscal year 1989 from sources other than this appropriation and how much is expected in 1990 and 1991?

Mr. REID. This is 1990, $350,000 for reimbursable obligations and direct obligations of the budget of $750,000. So we received $350,000.

Mr. STOKES. How about 1991?

Mr. REID. It is anticipated that will be increased.

Ms. RESZETAR. We can provide the figures for the record.

Mr. REID. I just heard about the increase this morning, but we will have that for you for the record.

Mr. STOKES. Please feel free to provide it.

[The information follows:]

In FY 1989 the Commission received the contributed salaries of one GS 14 for a period of three months in addition to $268,000 for the Federal-State Cooperative Statistics Projects. In FY 1990 we received the contributed salaries for two GS 15's and one GS 14 for the fiscal year in addition to $350,000 for the Federal-State Cooperative Statistics Project. In FY 1991 we anticipated the contribution of the three detailees and at least as much funding for the Federal-State Cooperative Statistics Project.

TRAVEL

Mr. STOKES. Are the Commission's financial records routinely examined by the government or other federal auditors?

Mr. REID. They have been from time to time. I understand the recent Commission-requested audit will cover the Commission's budget and salaries and travel as well as the White House Conference expenditures to March 1.

Mr. STOKES. In reviewing the budget for 1990 it appears that costs for travel and other expenses are about $23,000 more than anticipated last year. This increase takes place after adjusting for the change in treatment for member travel. Can you tell us why you have this increase?

Mr. REID. As indicated there is a 14 percent increase in travel costs. This includes the costs of hotel and lodging for Commission meetings. Hotel costs were formerly paid out of "other services." It is a bookkeeping adjustment as well.

Mr. STOKES. It is my understanding that this $23,000 increase takes place after the adjustment. Can you tell us why you have this increase?

Mr. REID. As I indicated in my testimony, we have not had a full complement of Commissioners on the Commission. I am informed by the White House that we will soon have a full complement of Commissioners. We expect to rebudget accordingly.

PERMANENT PAPER

Mr. STOKES. In January of 1989, the Commission passed a resolution calling for a national policy on use of permanent paper. Has the Commission taken any steps in this area during the last year?

Ms. MARTIN. The Commission passed a resolution in the previous Congress that was forwarded to Congress in support of the congressional action on acid-free paper. Because that bill did not pass during that congressional session, we forwarded similar wording to Congress this year. We also have a Commissioner whose responsibility is tracking the various efforts, both public and private, in the area of preservation and reporting to the Commission.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Mr. STOKES. Okay. Mr. Reid, we may have some additional questions to submit to you for the record. Please provide us good answers to those questions.

Mr. REID. Certainly, sir.

Mr. STOKES. On behalf of the committee, I want to thank you and your colleagues for your appearance here this afternoon. We appreciate your presence. Thank you very much.

[Questions and answers for the record and the justifications follow:]

FY 1991 BUDGET
NATIONAL COMMISSION ON LIBRARIES AND
INFORMATION SCIENCE
HOUSE QUESTIONS

MR. NATCHER: Provide for the record a statement regarding staffing levels for the Commission which were originally authorized and for which funds were requested compared to the number actually on board or expected to be on board for FY's 1988, 1989, and 1990. (expressed in FTE's)

MR. REID: For 1990 the Commission is authorized to have twelve full-time equivalent positions on its staff. Currently, the staff numbers nine and one-half full-time equivalents, with an additional position reserved for Commissioners' salaries. The 1989 authorized staffing level was eleven; the actual staffing level was the same as that for 1990, plus one position reserved for Commissioners' salaries. For 1988 the authorized staffing level was eleven, and there were nine full-time equivalent staff members plus one position reserved for Commissioners' salaries.

MR. NATCHER: Also provide an object class table showing your original budget request compared to actual expenditures or expected expenditures for 1988, 1989 and 1990. If possible, this should be done on a comparable basis.

MR. REID: The tables appear at the end of the questions submitted by the subcommittee.

COMMISSIONERS

MR. NATCHER: Are Commissioners or staff permitted to fly first or business class when they travel?

MR. REID: No, they are not. However, in the past, the Library of Congress practice of

allowing business class for flights over six hours was adopted.

MR. NATCHER: What is the maximum compensation and per diem paid to any Commissioner in FY 1989?

MR. REID: Then-Chairman Jerald C. Newman received $4572.00 in compensation and $6758.73 in per diem during FY 1989, for a total of $11,330.73. Commissioner Daniel H. Carter received $9188.00 in compensation and $3933.92 in per diem, for a total of $13,121.92. It is noted, however, that from April through July 1989, Mr. Carter, in addition to his NCLIS duties, served as Chairman of the White House Conference Advisory Committee and, in the absence of a Conference Executive Director, coordinated all activities.

MR. NATCHER: Provide a statement describing the number of vacancies on the Commission during FY's 1989 and 1990 and any reasons for the delays in filling these vacancies.

MR. REID: The Commission began FY 1989 with four positions to be filled: three due to normal expired terms and one vacancy because of a resignation earlier in 1988. Action was taken on these vacancies in late December 1988, when President Reagan made four recess appointments: two reappointments of Commissioners with expired terms, and two new appointments. In May 1989 there was another resignation, leaving the Commission with fourteen voting members.

In FY 1990, the Commission began with three normally expiring terms, plus the earlier resignation. The two remaining recess appointments expired in November 1989, when Congress adjourned for the year. Another resignation was received in December, leaving the Commission with eight voting members.

In January, the White House sent four reappointments to the Senate; these nominations were confirmed at the end of February. Simultaneously, there was another resignation.

At the time of this writing, there are eleven voting members of the Commission. It is our understanding that the White House intends to send four names to the Senate in the very near future.

We cannot tell you the reasons for the delays in filling vacancies.

MR. CONTE: You're just starting your second month on the job. As the Chairman, what are your personal priorities for the Commission?

MR. REID: My personal priorities for the Commission are to make every effort to have the statutory limitation, in effect since 1970, on the budget removed, so that the agency can grow to meet the expectations of the government and of the library and information science communities. The Commission has to be a coordinator and catalyst; it needs to sponsor research and "white papers", to take stands on national issues, and to comment on and suggest legislation to the Congress, the President and appropriate Federal agencies.

Specifically, NCLIS needs to strengthen its efforts through coordination with allies such as the Library of Congress, the National Archives, the Smithsonian Institution, the Bureau of Indian Affairs, the American Library Association, and other similar agencies and organizations. It needs to sponsor meetings and hearings on issues related to library and information science where no other agency or organization is active. Also, the Commission must continue and build upon its efforts in national library statistics gathering; the examination of library and information services to special populations such as the Native Americans; the promulgation of principles of information policies; and of course the development of a library and information agenda for the 1990s, using the White House Conference on Library and Information Services as a mechanism.

MR. CONTE: Did the Commission advise the

Administration on the budget for the Federal Library Programs?

MR. CONTE: If yes... What advice did the Commission give to the President? If no... Why not? Isn't your job to advise both Congress and the President?

MR. REID: The Commission has offered its expertise to the Office of Management and Budget to advise them on the budget for the Federal library programs, but over the years OMB has not opted to accept our offers.

LIBRARY SERVICES AND CONSTRUCTION ACT

MR. CONTE: Why is the Administration proposing to eliminate Titles 1 and 2 of the Library Services and Construction Act?

MR. REID: The Department of Education, which administers LSCA, said that, for Title I, "No funds are requested because general assistance is no longer necessary to increase access to library services." That statement is in the Department's publication of summary and background information on the 1991 budget (page 59). Regarding Title 2, for public library construction, that same publication states, "Federal support is no longer necessary, and no funds are requested for this program."

MR. CONTE: In your justification you said last year you began reviewing the funding of the Library Services and Construction Act. What sort of a review are you conducting?

MR. REID: Although the Commission itself has been unable independently to undertake a thorough study of the Library Services and Construction Act, many people and groups did review and recommend changes to the Act, which has recently been reauthorized for five years.

MR. CONTE: What have you uncovered so far?

MR. REID: The Commission did recommend to OMB that the reauthorization be approved and signed by the President.

MR. CONTE: When will it be completed?

MR. REID: The reauthorized Act provides for review in a new Title 7, Evaluation and Assessment. It is currently unclear whether Title 7 will be funded in FY 91. It is also expected that an important outcome of the 1991 White House Conference on Library and Information Services will be recommendations on the Act.

MR. CONTE: What is the relationship between your Task Force on Library and Information Services to Native Americans and the Aid for Native Americans under Title 4 of the Library Services and Construction Act?

MR. REID: The Library Services and Construction Act, Title IV provides funds to Native American public libraries on reservations. The LSCA is the only direct grant program for public library services for Indian tribes. Although the amount of funds for Native Americans provides valuable though minimal assistance to tribal public libraries, problems persist regarding flexibility and uncertainty of funds. Currently, funds are being used to support activities that include salaries and training of library staff, purchase of library materials and the renovation or construction of library facilities.

The tribal leaders realize that the LSCA Title IV funds accessible to tribal libraries are not adequate to meet their basic needs. The Commissioners' attention is drawn by the tribal leadership to this disturbing situation.

The Task Force on Library and Information Services to Native Americans was established by the National Commission on Libraries and Information Science to study the current status of tribal library and information services in cooperation with tribal leaders, governmental agencies, relevant organizations and

associations, library users, and staff. The purpose is to develop a long-range comprehensive plan that will meet needs of tribal public libraries. The plan would include strategies for providing adequate and stable resources for the tribal libraries.

MR. CONTE: The authorized appropriations level for the Commission is $750,000. Why are you requesting $777,000?

MR. REID: Proposed technical amendments to NCLIS' enabling legislation received OMB passback approval on March 14, 1990. They have been communicated to the Speaker of the House, the President of the Senate, and the authorizing committees for NCLIS.

These technical amendments are designed to do three things: first, to provide for "holdover" membership on the Commission in order to fulfill quorum requirements; secondly, to lift the $750,000 cap on appropriations, which has been in place since 1970, to allow for the $777,000 in FY 1991 funding called for in the President's budget, and such sums as may be necessary in following years; and finally to clarify the Commission's ability to pursue administrative services contracts with any appropriate agency.

If the funding cap is not lifted and we can only receive $750,000 in FY 1991, we will have no increase over FY 1990 levels. With many fixed operating costs, we will have no choice but to freeze at least one full-time position during all or part of FY 1991.

If we found ourselves with additional funding, we would first ensure that the Commission was operating at a full staffing level with no extensive gaps between hirings.

We can only stay within our current budget by holding vacant positions open for lengthy periods. If our funding level were to reach $800,000 in FY 1991, we could field a staff of 10.5 FTE for the full twelve months. Beyond that, we would move quickly on a series of issues which we would like to explore through

research, field hearings and publication. These include library and information services to special populations, focusing particularly on immigrant populations, the elderly, disabled and handicapped; the dissemination of Government information; measuring the economic and social value of information and library services; and an examination of public and private sector interaction in the information industry and its effect upon society.

MR. CONTE: What financial or in-kind support has the Commission received from other Federal agencies?

MR. REID: We have received $350,000 for FY 1990 as of this date. The Department of Agriculture has detailed a GS-14 to NCLIS, and the Department of Education has detailed two GS-15's. The detailee from Agriculture and one of the detailees from Education are currently assigned to work on the White House Conference. The other Education detailee is assigned to assist NCLIS in its work with library and information services to Native Americans. In addition, we have received $180,000 from the State Department for international information programs based in the U.S. and formerly funded by UNESCO.

WHITE HOUSE CONFERENCE ON LIBRARIES

MR. CONTE: How are the preparations progressing for the White House Conference on Libraries?

MR. REID: The White House Conference on Library and Information Services (WHCLIS), consisting of State and territorial activities among the 50 States, District of Columbia, U.S. territories and possessions, American Indian tribes and the Federal library community, will culminate in the national White House Conference in July 1991, in Washington, DC, and is very much underway.

Since the Dire Emergency Supplemental

Appropriations Act was passed in June 1989, appropriating the initial $1.75 million in WHCLIS funding, all 59 entities receiving preconference activity funding have submitted their plans; a skeletal national staff has been put into place; facilities for holding the national conference have been identified; State and territorial guidelines and a WHCLIS Planning Manual have been developed and distributed; discussions have begun with major national organizations, associations and private sector representatives with interests in the WHCLIS; and the White House Conference Advisory Committee (WHCAC) has developed its recommendations for many of the major components of the WHCLIS process.

From the initial $1.75 million in FY 1989 funding, $1.575 million was distributed directly to the States in support of their preconference activities. Memoranda of Agreement, approved by the Office of Management and Budget, were negotiated and executed with the governors of the States and territories and representatives of the Indian tribes; funds were distributed on the basis of a population formula recommended by the WHCAC and approved by the National Commission on Libraries and Information Science (NCLIS). As a result of the early obligation of funds to the States and territories, these entities were able to meet a January 31, 1990, deadline for submission of preconference activity plans, and implementation of those plans began immediately. The first statewide preconference was held in Chicago in early April. All WHCLIS preconferences will conclude by the spring of 1991.

The remaining $175,000 of the initial funding was used to support start-up administrative, staffing and Advisory Committee costs. The Advisory Committee advised and assisted NCLIS in the development of guidelines and procedures for State activities. With the additional $3.25 million appropriated in the FY '90 budget, efforts moved forward to establish a WHCLIS staff and to carry out many of the specific tasks associated with the support of

preconference activities of the States and territories.

In addition, the Advisory Committee began to focus on the variety of individual components that constitute the full national conference package. Among these components are delegate credentialing, delegate education, national conference program planning, public awareness and education, public and private sector liaison, and planning for an on-site, fully usable information/resource center incorporating the latest in information technology and services. Through the efforts of the subcommittees of the Advisory Committee, these individual components are well in-hand; now, with the addition of WHCLIS staff, the integration of the Advisory Committee recommendations into the final operational plan for the national conference will take place. The next meeting of the Advisory Committee, scheduled for June, will focus on the integration of elements into the full plan and details of items still awaiting final determination, such as the scope and design of the information center and the possibility of its being an exhibition of state-of-the-art technology.

MR. CONTE: A total of $4.975 million has already been appropriated for the 1991 White House Conference. Will that cover the costs of the conference?

MR. REID: The accomplishment of a truly successful and effective White House Conference on Library and Information Services depends on the receipt of the full $6 million authorized by Congress, as well as a match of as much as two times that amount from private and other public sources. The money appropriated to date has provided approximately 75 percent of the Federal funding expected to be provided to the States and territories; will cover expenses associated with delegate attendance at the national conference; and has permitted initial efforts in support of State activities. These efforts include the development of State guidelines and planning manuals, as well as information pieces

for widespread distribution; development and coordination of issue papers for use by delegates at State preconferences; implementation of the WHCLIS Speakers Bureau; institution of a WHCLIS bulletin board for information dissemination; development of a statistical program for all participating entities to enable them to translate numbers into graphic representations more easily understood by the delegates; rental of national office space and purchase of basic office equipment; and buildup of the national staff.

Throughout the nation, efforts are underway to increase the money available for State preconferences and the related activities. Already, the States and territories have committed or obtained public and private monies that more than double the Federal money provided directly to them. However, many of the States have identified populations with special needs related to library and information services or to the preconference activities themselves. Other States report difficulties in aggregating non-Federal funds because of the lack of prosperous industrial activity in their communities. The States need additional Federal funds to serve the unique problems of their constituents.

Furthermore, additional Federal funding is needed to ensure a totally productive on-site experience at the national conference. While private funding is sought for various peripheral amenities that contribute to the overall working environment, numerous basic requirements for the conference depend upon the receipt of the full authorization for the conference. Specifically, audio/visual materials to enhance the conference program and to assist States in their preconference preparations; commissioned studies to support the issues that will be discussed and debated at the national conference; design of the conference information/resource center; and the financial support required to complete the contract for the actual physical space for the conference are among the items that depend on additional Federal appropriations.

MR. CONTE: If the remaining $1.025 million were appropriated for the White House Conference, how would you use it?

MR. REID: Several major priorities remain in the planning of the WHCLIS, each of which requires additional Federal resources for careful consideration. Recently, the Governors recognized the importance of libraries and information services in the context of the States' goals for overall improvement of education in the nation. WHCLIS efforts - particularly in relation to the theme of Library and Information Services for Literacy - will serve to assist the President and Governors' goal that "by the year 2000 every adult American will be literate. . . . " Providing the delegates to the national conference with a state-of-the-art information center, combining usable on-site resources with demonstrations of information retrieval technologies for greater access and efficiency in local libraries and information centers, offers delegates valuable technical knowledge which they can transfer to their own local environments. And assuring States of sufficient Federal funding to complete their preconference plans contributes to the value of the national conference and the assurance of delegate preparation for the work that they will be asked to perform.

Of the approximately $1.025 million, $425,000 of the funding would be used in direct support of the State and territorial preconferences and related activities. Among these activities are the preparation of issue papers for State preconference use; production of audio/visual materials to support the local delegate selection and education process, as well as the preconference program activities; widespread dissemination of information about the White House Conference on Library and Information Services; and the preparation of State reports on their activities. As indicated above, some States have identified specific and unique problems of accessing geographically remote and other hard-to-reach populations, necessitating the use of telecommunications for some aspects of their activities and requiring

special programs designed specifically for homebound, at-risk, developmentally disabled and incarcerated constituents.

The remaining $600,000 in federal funding will be dedicated to the development of the national conference program and to the contracting and preparing of the physical facilities required to assure a productive conference.

MR. CONTE: What impact did the 1979 White House Conference on Libraries have?

MR. REID: In November 1979, the first White House Conference on Library and Information Services, one of the largest White House Conferences ever convened, brought together over 900 delegates, representing more than 100,000 participants at 58 State, territorial, and District of Columbia preconferences, and over 3000 observers to discuss the role of libraries in American society and future directions for library and information services. The delegates approved 64 resolutions recommending improvements and changes to library and information services. The influence of the Conference has been felt on the general public; in resource-sharing; in funding support for libraries by Federal, State and local governments; by library support groups; on the structure of the U.S. Department of Education; in the library community; and in the international arena. Five years after the 1979 conference, progress had been made in implementing all or part of 55 of the 64 resolutions.

Impact on the General Public: There has been an increased awareness among the public of the importance and utility of libraries to all individuals in a community, and of the impact of libraries on the nation and its economy. In addition, specific efforts have been initiated to ensure the provision of adequate information services to special populations such as the elderly, persons with disabilities, minorities, children and youth, Native Americans, as well as

persons who are institutionalized, home-bound or otherwise inadequately served.

Impact on Resource-Sharing: The 1979 Conference stimulated the concept of libraries' sharing resources and systems. The 1980's began a time of heightened focus on libraries cooperating at local, State, national and international levels to share information in books, journals and other materials and thereby reducing duplication. The interest in cooperation coincided with technological advances to allow many new ways to access and share information, including electronic union catalogs and other databases, interlibrary lending, and transmission of needed documents from one library to another. Also, many State Library Agencies gained responsibility for planning and coordinating activities among all types of libraries in their States.

Impact on Federal Support to Libraries: Congress has successfully resisted executive branch efforts to cut Federal support to libraries. Twenty-two of the 64 resolutions have been incorporated into the Library Services and Construction Act (LSCA), including in:

Title I, by extending services to persons with disabilities, the elderly and other disenfranchised groups; making libraries into community information centers; combatting illiteracy; and making more effective use of new technologies,

Title II, by encouraging public library construction and renovation;

Title III, by spurring states to adopt the concept of "resource sharing" and to develop statewide, long-range plans for sharing and networking; and with 1981 funding for interlibrary cooperation increasing by 140%;

Title IV, by providing library and information services to Native American populations; and

Title VI, by implementing library literacy activities.

Title VI of the Higher Education Act increased support for the acquisition of foreign periodicals, aiding in the international exchange of information.

Impact on State and Local Support to Libraries: There has been a marked increase in State and local government support to libraries. Over 40 States and territories have developed specific programs to increase the use and visibility of libraries and information services.

Impact on Library Support Groups: The national Friends of Libraries, U.S.A. was established following the first White House Conference on Library and Information Services and has inspired many States and communities to organize Friends of Libraries groups. As of the mid-1980s, over 2300 Friends groups with over 600,000 members have raised nearly $28 million for their libraries. In addition to fund raising, the Friends groups use their influence to promote reading, encourage library use and increase state and local funding for libraries. Although most support public libraries, Friends groups have also been organized for school and academic libraries.

Impact on the U.S. Department of Education: Formed shortly after the first White House Conference, the Department of Education included a Deputy Assistant Secretary in its structure to direct the Office of Libraries and Learning Technologies, despite attempts to spread library programs among several departmental units. Under the 1985 reorganization of the Department, a Director of Library Programs was appointed within the Office of Educational Research and Improvement.

Impact on the Library Community: An independent, non-profit organization, the White House Conference on Library and Information Services Task Force (WHCLIST), was formed as a result of two resolutions passed at the 1979

conference. It was originally comprised of one lay and one professional delegate from each state, elected from among the delegates to the national conference to work for implementation of Conference resolutions, to provide information to the over 100,000 people involved with the 58 pre-conferences and to provide assistance with the oversight of implementation of the resolutions. Its membership is now over 700.

The conference also increased interaction and networking among libraries and information professionals.

Impact on the International Arena: The White House Conference helped direct library attention to international standards, increase duty-free trade in educational and library resources, and increase international linking of computerized bibliographic databases. In general, the Conference helped increase the international flow of information and, thereby, international understanding.

FEDERAL-STATE COOPERATIVE SYSTEM FOR LIBRARY DATA

MR. CONTE: What is the status of your work with the National Center for Education Statistics and the State Library Agencies in developing a public library data system?

MR. REID: The Federal-State Cooperative System (FSCS) for Public Library Data is continuing to make good progress. Only six States were not able to prepare rapidly enough to participate in the first nationwide data collection. In this second year of the program all States are planning to submit standard public library data for all of the public libraries in their States. The data will be submitted on diskettes during July 1990. The National Center for Education Statistics plans to publish these national statistics by November 1990. The data will also be available on tape for further research and analysis.

This cooperative program that is being administered by NCLIS under a Memorandum Of Understanding with the National Center for Education Statistics is proving to be an excellent example of effective interagency cooperation. The rapid development of the system also illustrates the values of cooperating with State Library Agencies in the collection, editing and publication of state-by-state public library data and the advantages in the use of standard software, standard data items and standard terminology in achieving the rapid editing and reporting of national public library data.

MR. CONTE: The first "working paper" seems to give an incomplete picture of the Federal role in supporting public library services. What do you plan to do about this?

MR. REID: To complete the picture of the Federal role in supporting public library service, the Federal/State Cooperative System is already planning two added statistical surveys that are essential to obtaining the full picture. The first is a survey of State Library Agencies themselves and their use of Federal funds to provide improved public library services through such methods as interlibrary loan, the development of special collections that need not be duplicated throughout the State, the training of local public librarians to provide improved local services etc. The second survey will be of state or regional library systems that serve local public libraries and are supported in large part by Federal funds. These systems are also used to improve and supplement the services and resources of local public libraries on the basis that this is a more effective use of Federal funds than piecemeal distribution of smaller amounts.

MR. CONTE: Please provide a production schedule for the other "working papers" you are going to produce.

MR. REID: The planning for the State library survey has already begun and is expected

to be completed by October 1990. Publication of the data is planned for early 1991. The planning of the State regional library systems survey will begin at a meeting scheduled for April 19-20, 1990. The goal for the completion and publication of this survey is Spring 1991. This will complete the picture of the important Federal role in supporting public library services under grants from the U.S. Department of Education, of which the first "working paper" was but one element.

MR. CONTE: What new insights into the status of public libraries can we expect from this data system?

MR. REID: With the completion of the 1990 FSCS survey with standard public library data from all the states and the District of Columbia, there will be for the first time reliable state-by-state and national data on the public libraries of the United States, including size of collections, number of staff, amount and sources of income, types of expenditure, service hours, circulation and interlibrary loan transactions, and reference questions answered.

This annual data will be a prime source for research and analysis by education, library, public administration, and public policy researchers. New State-by-State comparisons can be made, for example, on the range in the amounts and percentage of local, State, and Federal support of public libraries; the range in size of collections, number of staff, and populations served; the range in public library operating expenditures per capita population served; and the range in amounts and percentages of expenditures for staff and library collections. These data can also be related to statistics on public library services including circulation transactions, reference transactions, and interlibrary loans. Insights on how these data vary for public libraries in the several population and expenditure groups is also available. All in all, there are 41 data items for each public library reporting and the data are displayed and analyzed in 29 tables.

The 1989 FSCS publication was a working paper because six States were not able to report. With all of the States reporting in 1990, the next FSCS publication and subsequent annual publications will be fully acceptable. The series of annual data will provide baseline and time-line information and insights and answers to such fundamental questions as trends in sources of public library support, types of expenditures, and services.

MR. CONTE: What States are participating in the cooperative public library data system?

MR. REID: All States but six were able to participate in the first year of the FSCS development. The only States that did not participate in the first year were Alabama, Georgia, Kansas, Maine, Nevada, and Tennessee.

MR. CONTE: Why aren't all the States participating?

MR. REID: The only reason all States did not participate in the first year was that six of the States were not able to revise their data collection programs, methods, and staffing rapidly enough to meet the August 1989 deadline. All States have given firm information that they will be participating in 1990.

PRINCIPLES OF PUBLIC INFORMATION POLICIES

MR. CONTE: The Commission has developed some "Principles of Public Information Policies." What are the principles?

MR. REID: The "Principles of Public Information Policies" are now in draft form. The draft, which follows, was published in the April 5, 1990, Federal Register, along with notice of a comment period and announcement of an April 30, 1990, public hearing on the draft.

These Principles of Public Information Policies are offered by the National Commission on Libraries and Information Science as a

theoretical basis for the many operational decisions which are made throughout the Federal Government when dealing with issues of public information. It is hoped that all branches of the Federal Government as well as the private sector will utilize these principles in the development of information policies and in the creation, use, dissemination and retention of public information. "Public information" is defined as information created, compiled and maintained by the Federal Government. In its truest sense, "public information" is information owned by the people and held in trust by their government. It is in this spirit of public ownership and public trust that these Principles of Public Information Policies are offered and, we hope, will be used. They are:

1. **Citizens have the right of ready and timely access to public information.**

Open and uninhibited access to and exchange of public information should be guaranteed, except where information is protected by law, such as national security information and personnel records. Public information, regardless of the format in which it is presented, should be usable as well as accessible. Citizens should be able to extract the data they need from public information products without encountering arbitrary or unnecessary obstacles.

2. **The integrity and preservation of public information should be maintained, regardless of format.**

With increasing numbers or files in computer readable form, the question of storage, maintenance, integrity of and access to this data becomes ever more serious. There is a critical need to preserve archival copies of public electronic data. Existing guidelines should be reviewed and revised if necessary to obligate the Government to retain an accurate record of its business, taking into account the expanding volume of electronic data files which can be more readily changed than print documents.

3. **Dissemination, reproduction and redistribution of public information should be guaranteed.**

When dissemination is restricted, as with copyright or licensing agreements, the burden of proof for such restriction should be on the publishing agency. Such restrictions should not impede the citizen's right to access as represented in these principles.

4. **It is essential to safeguard the privacy of persons who use information, as well as persons about whom information exists in Government records, to the full extent provided by law.**

5. **There should be a wide diversity of sources of access, private as well as public, to public information.**

Even within Government, a single source for information is not necessarily desirable. It is recognized that over time and through changes in technology, sources of access may change.

6. **Cost should not be an obstruction to citizen access to information.**

The costs incurred by creating, collecting and processing information for the Government's own purposes should not be passed onto citizens who wish to utilize public information, unless specifically provided by law. Congress should assure sufficient funding for information dissemination so that citizens need pay no more than marginal costs for any single piece of public information.

7. **Information about the location and bibliographic description of Government information should be easily available, descriptive, and in a single electronic or paper-based source.**

This single source of public information should be in addition to inventories of

information or data files kept within individual agencies.

8. **The Depository Library Program, as an important means of providing access to information for all citizens, should be enhanced and expanded to support its basic mission, in accordance with these principles, and to include electronic data bases with appropriate basic software and documentation.**

MR. CONTE: Do any of the policies conflict with the Administration's policies on public access to Federal information?

MR. REID: There is no conflict between the current draft of the principles and the Administration's policies on public access to Federal information.

MR. CONTE: Does the Commission still support the FBI's program for investigating the use of American libraries by agents of foreign governments?

MR. REID: I was not a member of the Commission when it held a hearing in January 1988 at which time it did hear from an FBI agent. To date, the Commission has not been requested to nor has it taken any formal position on this program. As Chairman of the Commission, it is my opinion that no formal position should be taken without additional public hearings.

MR. CONTE: Your justification says you're going to prepare a video on how citizens can use information from public libraries to influence local Government decisions and that the video will encourage use of a model similar to the Congressional Research Service. What exactly does this mean?

MR. REID: The Commission's "Information for Governance" program focuses on the potential of public libraries, as neutral and widely available sources of information, for providing

services tailored to the needs of interested citizens as well as local Government officials grappling with community problems. Three model governance information services in different public libraries were identified.

However, despite concerted efforts to secure funding for the planned videotape featuring these services, the Commission has been unable to do so. Several attempts to arrange institutional sponsorship have also failed. With the recent resignations of two Commissioners directly involved with the program, a substitute plan has been proposed. The National Association of Counties (NACo), which will hold its annual meeting in Miami in July, has indicated an interest in including on its program an NCLIS presentation featuring one or more of the librarians discussing their successful governance information services. Such a presentation would meet the goal of informing local officials from throughout the Nation about local public library services of value to them. The Commission could absorb the minimal cost of this presentation.

RECOGNITION AWARDS

MR. CONTE: NCLIS gave its 1989 Recognition Award to Reader's Digest. When is the deadline for making an award nomination for 1990?

MR. REID: The deadline for receipt of applications for the 1990 Recognition Award was January 15, 1990. The date was later extended to March 1.

MR. CONTE: Please provide a list of all the Recognition Award winners honored by NCLIS.

MR. REID: 1988 - Pizza Hut
1989 - Reader's Digest
1990 - Organizational: The Atlantic Coast Conference (collegiate athletics)
- Individual: Richard C. Torbert, Vice President, Mellon East Bank, Philadelphia

MR. DWYER: In fiscal years 1989 and 1990, you received transfers from the National Center for Education Statistics and the Department of State.

Your budget justification states that you will continue to work with the Department of Education and the National Center for Education Statistics on the Federal-State Cooperative System in fiscal year 1991. Will you be receiving additional transfers from the National Center again in fiscal year 1991?

MR. REID: Although it naturally cannot be guaranteed, we expect to continue our work with the National Center for Education Statistics, increasing the amount of information made available about public libraries, extending the effort to incorporate school libraries in NCES's school and staffing survey, and academic library statistics. In FY 1991, depending on the appropriation level for NCES, we expect the Federal/State Cooperative System to be at least at current-level funding.

MR. DWYER: Do you expect to receive any funds from any other Federal sources in fiscal year 1991?

MR. REID: We expect State Department funds for international information projects to be forthcoming as long as the United States is not a member of UNESCO. That funding may remain stable at $180,000.

The Secretary of the Department of Education has detailed a staff member to assist our Task Force on Library and Information Services to Native Americans and a staff member whom we've assigned to the White House Conference. Both are at the GS-15 level. In addition, the Department of Agriculture has detailed a staff person whom we've assigned to the White House Conference, at the GS-14 level.

PUBLIC LIBRARIES

MR. DWYER: Again this year, the Department of Education has not requested any funding for either Public Library Services or Public Library Construction.

As you know, the Public Library Services program assists in expanding and improving public library services, especially for underserved groups. In its budget justification, the Department states that there is no longer a need to increase access to library services. In light of your hearings around the country, have you found that this program is no longer necessary?

MR. REID: To the contrary, our findings are that this program is needed at an even higher funding level.

MR. DWYER: Do you think that there is still a need for continued library construction money so that local libraries will be able to purchase equipment and make renovations necessary to accommodate the high-tech equipment necessary for a modern library?

MR. REID: Yes, without a doubt, Federal support for public library construction has been an extremely successful program and is still needed.

LITERACY

MR. DWYER: As you know, public libraries play an important role in our fight against illiteracy.

Will the Commission be working with the Department of Education to develop innovative library literacy programs?

MR. REID: Presently, NCLIS does work with the Division of Adult Education and Literacy with regard to library-based literacy education for adults and out-of-school youth. NCLIS is represented on two subcommittees of the Federal Interagency Council on Education (FICE), Rural Education and Occupational Literacy. Through these two subcommittees, opportunities exist for promoting and encouraging the use of public libraries in literacy-related activities.

Unfortunately, there does not exist within the U.S. Department of Education an office responsible for providing leadership to school library media programs, therefore our efforts to increase literacy among the school population, pre-K to 12, involving the use of the school library in cooperation with teachers, administrators and the community are targeted outside of the U.S. Department of Education.

MR. DWYER: The Administration has requested a substantial increase for library literacy programs which would support 275 small grants. How many local libraries are estimated to currently maintain literacy programs?

MR. REID: There are over 15,200 public libraries in the United States. This figure includes main libraries and branches. A recent survey by the American Library Association of medium-sized to very large public libraries--serving populations over 25,000--shows that 67% offer either space or staff for adult literacy training classes and/or testing.

National Commission on Libraries and Information Science

FY '88 Budget

Object Class	Request* $791,000	Actual/Expected Expenditures $709,000**	Difference
11.1 Full-time permanent	$ 331,000	$ 228,000	$ (103,000)
11.3 Other than FTP	112,000	124,000	12,000
11.5 Other personnel comp			
12.1 Benefits	106,000	43,000	(63,000)
SUBTOTAL, PERSONNEL	$ 549,000	$ 395,000	$ (154,000)
21.0 Travel	$ 86,000	$ 73,000	$ (13,000)
23.1 Rent	70,000	52,000	(18,000)
23.3 Comm./utilities	31,000	37,000	6,000
23.6 Equipment rental			
24.0 Printing	7,000	25,000	18,000
25.0 Other services	33,000	63,000	30,000
26.0 Supplies & materials	14,000	56,000	42,000
31.0 Equipment	1,000	5,000	4,000
SUBTOTAL	$ 242,000	$ 311,000	$ 69,000
SUBTOTAL, DIRECT OBLIGATIONS	$ 791,000	$ 706,000	$ (85,000)
REIMBURSABLE OBLIGATIONS		257,000	
TOTAL		$ 963,000	

*Submitted to Congress
**Appropriation

National Commission on Libraries and Information Science

FY '89 Budget

Object Class	Request* $755,000	Actual/Expected Expenditures $741,000**	Difference
11.1 Full-time permanent	$ 345,000	$ 353,000	$ 8,000
11.3 Other than FTP	92,000	74,100	(17,900)
11.5 Other personnel comp	10,000		(10,000)
12.1 Benefits	54,000	67,400	13,400
SUBTOTAL, PERSONNEL	$ 501,000	$ 494,500	$ (6,500)
21.0 Travel	$ 70,000	$ 52,200	$ (17,800)
23.1 Rent	63,000	52,800	(10,200)
23.3 Comm./utilities	33,000	28,900	(4,100)
23.6 Equipment rental		7,400	7,400
24.0 Printing	21,000	3,600	(17,400)
25.0 Other services	44,000	83,700	39,700
26.0 Supplies & materials	21,000	16,100	(4,900)
31.0 Equipment	2,000		(2,000)
SUBTOTAL	$ 254,000	$ 244,700	$ (9,300)
SUBTOTAL, DIRECT OBLIGATIONS	$ 755,000	$ 739,200	$ (15,800)
REIMBURSABLE OBLIGATIONS		438,000	
TOTAL		$1,177,200	

*Submitted to Congress
**Appropriation

National Commission on Libraries and Information Science

FY '90 Budget

Object Class	Request* $770,000	Actual/Expected Expenditures $750,000**	Difference
11.1 Full-time permanent	$ 405,000	$ 391,287	$ (13,713)
11.3 Other than FTP	85,000	54,111	(30,889)
11.5 Other personnel comp.	10,000	2,200	(7,800)
12.1 Benefits	58,000	70,888	12,888
SUBTOTAL, PERSONNEL	$ 558,000	$ 518,486	$ (39,514)
21.0 Travel	$ 65,000	$ 81,600	$ 16,600
23.1 Rent	55,000	55,575	575
23.3 Comm./utilities	38,000	28,500	(9,500)
23.6 Equipment rental		6,935	6,935
24.0 Printing	15,000	5,400	(9,600)
25.0 Other services	18,000	35,739	17,739
26.0 Supplies & materials	20,000	17,765	(2,235)
31.0 Equipment	1,000		(1,000)
SUBTOTAL	$ 212,000	$ 231,514	$ 19,514
SUBTOTAL, DIRECT OBLIGATIONS	$ 770,000	$ 750,000	$ (20,000)
REIMBURSABLE OBLIGATIONS		350,000	
TOTAL		$ 1,100,000	

*Submitted to Congress
**Appropriation

JUSTIFICATION OF THE BUDGET ESTIMATES

NATIONAL COMMISSION ON LIBRARIES AND INFORMATION SCIENCE

Appropriation Justification

Fiscal Year 1991

Salaries and Expenses

For necessary expenses for the National Commission on Libraries and Information Science, established by the Act of July 20, 1970 (Public Law 91-345), [$750,000] *$777,000. (Departments of Labor, Health and Human Services, and Education, and Related Agencies Appropriations Act, 1990.)*

8 February 1990

Fiscal Year 1991 Salaries and Expenses

Table of Contents

Purpose 1

Summary of FY 1989-1991 Objectives 1

Commission Programs 2

A. Literacy (Access to Information) 2

B. Democracy (Information for Changing Needs) 3

C. Productivity (Information Technology and Productivity) 4

D. Policy, Planning and Advice 5

Amounts Available for Obligation 8

Budget Authority and Outlays 9

Budget Authority by Object 10

Summary of Increases over FY 1990 11

Appendix A: Appropriations History 12

Appendix B: Commissioners, National Commission on Libraries and Information Science 13

Public Law 91-345

NATIONAL COMMISSION ON LIBRARIES AND INFORMATION SCIENCE

Salaries and Expenses

1990	1991
Budget Authority: $750,000	Budget Authority: $777,000
Positions: 12	Positions: 12

PURPOSE

The National Commission on Libraries and Information Science (NCLIS) is a permanent, independent agency within the Executive Branch. NCLIS is mandated under Public Law 91-345 with responsibility for advising Congress and the President on matters of national library and information policy. The Commission meets this mandate by conducting studies, reviewing policy and legislation, working with Federal, state and local agencies, and holding hearings to provide the foundation for policy decisions. The Commission also closely monitors activities of the public and private sectors in the field of library and information science and services, contributing to a dialog and positive working relationships as an honest broker where these two sectors have differing approaches to issues.

The Administration requests $777,000 to finance the Commission's activities in FY 91, an increase of $27,000 over the FY 90 appropriation of $750,000. The proposed increase would allow the Commission to maintain current programs and fill a currently vacant Research Associate position which can only be maintained in FY 91 if appropriations are at the requested level.

SUMMARY OF FY 1989 - 1991 OBJECTIVES

The Commission believes the major library and information issues of concern at the national level and to the library and information community are access to information, information to meet changing information demands, and using information resources to improve productivity. To address these issues, the Commission operated programs around

four major areas in FY 89 and 90: 1) Literacy, 2) Democracy, 3) Productivity, and 4) Policy, Planning and Advice. In FY 91, the Commission planned a shift in emphasis from these four areas to Policy, Planning and Advice. The concept was to provide for a focus on policy statements on vital issues of concern in each of these areas. The Commission will continue activities in the first three areas while increasing its Policy, Planning and Advice role within existing resources.

COMMISSION PROGRAMS

A. LITERACY (Access to information)

The Commission's primary goal in this program is to promote and support efforts at all levels of government- Federal, state and local- to provide equity of access to library and information services for all citizens. FY 90 activities of the Literacy program are centered on the development of information skills, development of a national library statistics program, information resource sharing, and the dissemination of government information.

FY 1991 Objectives

Continue the awards program for recognition of outstanding projects that teach skills in information use.

Continue to disseminate and promote adoption of the recommendations of the April 1989 conference of school administrators and school library media center directors on the role of the school library media center in education and in the development of critical thinking skills.

Continue work with the Department of Education and the National Center for Educational Statistics on the Federal/State Cooperative System to collect and improve dissemination of statistical data about libraries in the United States. Expand the FSCS data collection system to all 50 states and the District of Columbia.

Maintain programs such as the NCLIS Memorandum of Understanding with ACTION and the Department of Aging, which promotes the use of volunteers, especially older adults in literacy programs. Evaluate the current ACTION pilot project and expand if appropriate.

Disseminate and promote finalized "Principles of Public Information Policy" as developed by the Information Policy Task Force and adopted by the Commission.

FY 1989-90 Accomplishments

In April 1989 NCLIS gave its Recognition Award to Reader's Digest for contributions it has made to literacy efforts throughout the Nation. Award nominations for 1990 are currently being solicited.

Developed and participated in a joint program with the American Library Association and the National Ad Council to encourage every American child to obtain a library card.

Published the first report of the FSCS project, detailing uniform data collected and compiled from 44 states and the District of Columbia. This was the first library data collection completely compiled in machine readable form. The results were available in this form 90 days after the collection of data.

Held an information literacy symposium in April 1989, co-sponsored with the American Association of School Librarians, bringing together representatives of 24 national education organizations. The symposium concluded with a report containing 40 recommendations calling for schools to place greater emphasis on the teaching of information usage skills to increase life-long decision making skills.

B. DEMOCRACY (Information for changing needs)

The purpose of this Commission program is to strengthen the local library and information center as a primary resource for local governmental officials and citizens. This area of activity includes provision of and access to information for local governance, as well as the preservation and conservation of the records of our Nation's cultural heritage held by libraries.

FY 1991 Objectives

Secure funding for a planned videotape illustrating citizen use of the public library for information resources to assist in the decision-making process and governance of local municipalities. Three programs in libraries which use a model analogous to the Congressional Research Service, will be featured to encourage replication in other localities.

Promote these information providers for local governance through identification of appropriate conferences, workshops and other vehicles for publicizing these programs.

Continue to promote efforts on conservation and preservation of library materials, such as a national policy on the use of permanent paper.

FY 1989-90 Accomplishments

Participated in a partnership with the National Archives and Records Administration developing guidelines for preserving Federal government records in electronic format.

Passed a Commission resolution, in January 1989, supporting Congressional efforts to establish a national policy on the use of permanent paper. Continued to monitor progress of House version into 1990.

C. PRODUCTIVITY (Information technology and productivity)

This Commission program is concerned with determining the role of information in the economy, including how the management of information resources and the effective use of information technology can contribute to productivity. Also included are programs promoting library and information services to improve the quality of life and to help individuals become more productive members of society.

FY 1991 Objectives

Begin implementation of a plan of action recommended by the Task Force on Library and Information Services to Native Americans and as approved by the Commission.

Identify other groups or segments of society with information needs which require specialized study to determine if Commission activity is called for to insure equity of access to information resources.

Continue work begun under the auspices of the Glenerin Declaration, adopted in 1987 by the United States, Canada and the United Kingdom. Establish coordinated development of library statistics, and definitions of basic library services for each nation's citizenry.

FY 1989-90 Accomplishments

Held field hearings in January 1989 on the status of library and information services to the American Indian community. As an outcome of these hearings, NCLIS organized a Task Force to make recommendations for the improvement of library and information services for Native Americans on or near reservations. The group includes representatives from NCLIS, the Department of Education, the Bureau of Indian Affairs, the Department of Commerce, and other appropriate agencies and organizations. As a part of this effort, NCLIS is also included in the White House Interagency Task Force on Indian Affairs. The transcript from the January 1989 hearings will be made available early in 1990.

A meeting of representatives from the three nations signing the Glenerin Declaration was held in 1989 and continued the work begun by adoption of the Declaration. Plans were made for additional work on common approaches to statistics, telecommunicatons, resource-based learning, and definitions of basic library services.

D. POLICY, PLANNING AND ADVICE

This Commission program is concerned with national and international library and information policy issues. Such issues include dissemination of Government information, censorship, freedom of information, Government information in electronic format, appropriate roles of the public and private sectors in library and information services, and analysis of and comment on legislation relating to library and information services and sciences.

FY 1991 Objectives

Work with the Executive Director and staff of the Second White House Conference on Library and Information Services on the development of issues for the White House Conference and publication and dissemination of Conference results.

Continue to advise Congress and the White House on library and information related issues and legislation.

Continue to advise Congress and the White House on policy and planning in library and information policy areas.

Work with other Federal agencies such as the Office of Technology Assessment and the Joint Committee on Printing, and private organizations, on national information policies and issues.

FY 1989-90 Accomplishments

Held a hearing in July 1989 on the OTA report "Informing the Nation". Publication of the transcript is planned for 1990.

As a follow-up to the OTA hearing, held an open forum in October 1989 for information policy issues, attended by more than 95 people. Established an Information Policy Task Force to develop a set of "Principles of Public Information Policy".

Developed plans for a second forum to follow publication of the draft "Principles of Public Information Policy" in the Federal Register. Adoption of final principles by the Commission is planned for Fall 1990.

Provided Commission comment to appropriate House and Senate committees on re-authorization of the Paperwork Reduction Act.

Organized a group of library organizations to comment on possible library roles in the National Research and Education Network (S. 1067).

Began a review of Library Services and Construction Act funding, and the Higher Education Act and current library needs under that act, for Commission comment relating to the reauthorization of HEA in September 1990.

Initiated discussion with other library and information groups on a possible investigation of remedies to the critical problem of rising prices for serials and its effect on U.S. research and productivity.

Amounts Available for Obligation

	1989	1990	1991
APPROPRIATION:			
Annual	741,000	750,000	777,000
REAL TRANSFERS FROM:			
National Center for Educational Statistics	268,000	350,000	
Department of State	170,000		
TOTAL ADJUSTED BUDGET AUTHORITY	1,179,000	1,100,000	777,000

NATIONAL COMMISSION ON LIBRARIES AND INFORMATION SCIENCE

BUDGET AUTHORITY AND OUTLAYS

	1990 Estimate	1991 Request	Change
Budget Authority	750,000	777,000	$27,000
Outlays	964,000	772,000	-192,000
FTE	12	12	0

BUDGET AUTHORITY BY OBJECT

Object Class	1990 Estimate	1991 Request	Change
11.1 Full-time permanent	395,000	412,000	+17,000
11.3 Other than FTP	67,000	71,000	+4,000
11.5 Other personal compensation	2,000	3,000	+1,000
12.1 Benefits	71,000	74,000	+3,000
SUBTOTAL PERSONNEL/BENEFITS	535,000	560,000	+25,000
21.0 Travel	44,000	50,000	+6,000
23.1 Rent	54,000	55,000	+1,000
23.2 Communications/Utilities	35,000	37,000	+2,000
24.0 Printing	4,000	5,000	+1,000
25.0 Other	62,000	52,000	-10,000
26.0 Supplies/Materials	16,000	18,000	+2,000
31.0 Equipment	0	0	0
SUBTOTAL	215,000	217,000	-2,000
SUBTOTAL, DIRECT OBLIGATIONS	750,000	777,000	+27,000
REIMBURSABLE OBLIGATIONS	350,000	0	-350,000
99.9 TOTAL OBLIGATIONS	1,100,000	777,000	-323,000

Summary of Changes from FY 1990

Full-time Permanent Salaries - Increases in salary for annualization of the 1990 pay raise and within grade increases for GS employees. This increase also covers the annual funding of a position that will remain vacant in FY 90 due to lack of sufficient funds.

Other than Full-time Salaries - Increases in salary for annualization of the 1990 pay raise and within grade increase for OTFT GS employee.

Personnel Benefits - Increase in benefits for Civil Service Retirement System and Federal Employee Retirement System (FERS) based on salary increases.

Travel and transportation - 14% increase in travel costs. This object class includes the cost of hotel and lodging for quarterly Commission meetings and other official travel. Hotel and lodging costs were formerly paid separately from Other Services.

Other services - Decrease due to transfer of all travel costs to Travel and Transportation and reductions in expenditures.

Other discretionary increases - $6,000 in four object classes to cover anticipated increases in FY 91.

Equipment - No new equipment will be purchased for the second year in a row.

APPENDIX B

APPROPRIATION HISTORY

	To Congress	House Allowance	Senate Allowance	Appropriation
1982	$702,000	702,000	702,000	691,000
1983	---	674,000	674,000	674,000
1984	553,000	553,000	674,000	674,000
1985	690,000	690,000	720,000	720,000
1986	---	690,000	690,000	690,000
1986[1]	-30,000			
1987	690,000	660,000	690,000	660,000
1987[2]	23,000			
1988	791,000	750,000	791,000	[3]718,000
1989	755,000	750,000	750,000	[4]741,000
1990	770,000	750,000	770,000	750,000
1991	777,000			

[1]Sequester.

[2]Pay and benefits supplemental.

[3]Excludes $9,000 not available for obligation pursuant to Section 512 of P.L. 100-202.

[4]Reflects 1.2% reduction made pursuant to Section 517 of P.L. 100-436.

APPENDIX B

MEMBERS OF THE U.S. NATIONAL COMMISSION ON LIBRARIES AND INFORMATION SCIENCE

Mr. Jerald C. Newman
Chairman
2001 Marcus Ave., Ste. N20
Lake Success, NY 11042
(July 1992)

Dr. Lee Edwards
Vice Chairman
5702 Newington Road
Bethesda, MD 20816
(July 1990)

Dr. James H. Billington
Librarian of Congress
Library of Congress
Washington, DC 20540
(Permanent Member)

Mr. Daniel W. Casey**
202 Scarboro Drive
Syracuse, NY 13209
(July 1994)

Mrs. Wanda L. Forbes**
21 Quinine Hill
Columbia, SC 29204
(July 1993)

Dr. Frank Gannon
153 Waverly Place
New York, NY 10014
(July 1990)

Mr. Raymond J. Petersen
Executive Vice President
Hearst Magazines
959 Eighth Avenue
New York, NY 10019
(July 1991)

Mr. Charles E. Reid*
Senior Vice President
Prodevco Group
1402 Bergen Boulevard
Ft. Lee, NJ 07024
(July 1993)

Mrs. Elinor H. Swaim**
351 Richmond Road
Salisbury, NC 28144
(July 1994)

Mrs. Barbara H. Taylor
14908 Spring Meadows Drive
Germantown, MD 20874
(July 1990)

Mrs. Julia Li Wu
2383 West Silver Lake Drive
Los Angeles, CA 90039
(July 1992)

Mr. Charles Benton
Chairman Emeritus
Chairman, Public Media, Inc.
5547 N. Ravenswood Ave.
Chicago, IL 60640

Dr. Frederick Burkhardt
Chairman Emeritus
Box 1067
Bennington, VT 05201

Miss Elinor M. Hashim
Chairman Emeritus
Program Director, Special Libraries, OCLC, Inc.
Dublin, OH 43017

Dr. Bessie Boehm Moore
Vice Chairman Emeritus
712 Legato Drive
Briarwood
Little Rock, AR 72205

*Nominated Chairman-Designate by the President, January 24, 1990; will serve term upon Senate confirmation.
**Nominated Commissioner-Designate by the President, January 24, 1990; will serve term upon Senate confirmation.

Public Law 91-345
91st Congress, S. 1519
July 20, 1970
As amended by Public Law 93-29, Section 902, May 8, 1973

An Act

To establish a National Commission on Libraries and Information Science, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "National Commission on Libraries and Information Science Act". National Commission on Libraries and Information Science Act.

STATEMENT OF POLICY

SEC. 2. The Congress hereby affirms that library and information services adequate to meet the needs of the people of the United States are essential to achieve national goals and to utilize most effectively the Nation's educational resources and that the Federal Government will cooperate with State and local governments and public and private agencies in assuring optimum provision of such services.

COMMISSION ESTABLISHED

SEC. 3. (a) There is hereby established as an independent agency within the executive branch, a National Commission on Libraries and Information Science (hereinafter referred to as the "Commission").

(b) The Department of Health, Education, and Welfare shall provide the Commission with necessary administrative services (including those related to budgeting, accounting, financial reporting, personnel, and procurement) for which payment shall be made in advance, or by reimbursement, from funds of the Commission and such amounts as may be agreed upon by the Commission and the Secretary of Health, Education, and Welfare.

84 STAT. 440
84 STAT. 441

CONTRIBUTIONS

SEC. 4. The Commission shall have authority to accept in the name of the United States grants, gifts, or bequests of money for immediate disbursement in furtherance of the functions of the Commission. Such grants, gifts, or bequests, after acceptance by the Commission, shall be paid by the donor or his representative to the Treasurer of the United States whose receipts shall be their acquittance. The Treasurer of the United States shall enter them in a special account to the credit of the Commission for the purposes in each case specified.

FUNCTIONS

SEC. 5. (a) The Commission shall have the primary responsibility for developing or recommending overall plans for, and advising the appropriate governments and agencies on, the policy set forth in section 2. In carrying out that responsibility, the Commission shall—

(1) advise the President and the Congress on the implementation of national policy by such statements, presentations, and reports as it deems appropriate; Advice to President and Congress.

(2) conduct studies, surveys, and analyses of the library and informational needs of the Nation, including the special library and informational needs of rural areas, of economically, socially, or culturally deprived persons, and of elderly persons, and the means by which these needs may be met through information centers, through the libraries of elementary and secondary schools and institutions of higher education, and through public, research, special, and other types of libraries; Studies, surveys, etc.

(3) appraise the adequacies and deficiencies of current library and information resources and services and evaluate the effectiveness of current library and information science programs;

(4) develop overall plans for meeting national library and informational needs and for the coordination of activities at the Federal, State, and local levels, taking into consideration all of the library and informational resources of the Nation to meet those needs;

(5) be authorized to advise Federal, State, local, and private agencies regarding library and information sciences;

(6) promote research and development activities which will extend and improve the Nation's library and information-handling capability as essential links in the national communications networks;

Report to President and Congress.

(7) submit to the President and the Congress (not later than January 31 of each year) a report on its activities during the preceding fiscal year; and

(8) make and publish such additional reports as it deems to be necessary, including, but not limited to, reports of consultants, transcripts of testimony, summary reports, and reports of other Commission findings, studies, and recommendations.

Contract authority.

(b) The Commission is authorized to contract with Federal agencies and other public and private agencies to carry out any of its functions under subsection (a) and to publish and disseminate such reports, findings, studies, and records as it deems appropriate.

Hearings.

(c) The Commission is further authorized to conduct such hearings at such times and places as it deems appropriate for carrying out the purposes of this Act.

(d) The heads of all Federal agencies are, to the extent not prohibited by law, directed to cooperate with the Commission in carrying out the purposes of this Act.

84 STAT. 441

84 STAT. 442

MEMBERSHIP

Appointments by President.

SEC. 6. (a) The Commission shall be composed of the Librarian of Congress and fourteen members appointed by the President, by and with the advice and consent of the Senate. Five members of the Commission shall be professional librarians or information specialists, and the remainder shall be persons having special competence or interest in the needs of our society for library and information services, at least one of whom shall be knowledgeable with respect to the technological aspects of library and information services and sciences, and at least one other of whom shall be knowledgeable with respect to the library and information service and science needs of the elderly. One of the members of the Commission shall be designated by the President as Chairman of the Commission. The terms of office of the appointive members of the Commission shall be five years, except that (1) the terms of office of the members first appointed shall commence on the date of enactment of this Act and shall expire two at the end of one year, three at the end of two years, three at the end of three years, three at the end of four years, and three at the end of five years, as designated by the President at the time of appointment, and (2) a member appointed to fill a vacancy occurring prior to the expiration of the term for which his predecessor was appointed shall be appointed only for the remainder of such term.

Terms of office.

Compensation, travel expenses.

(b) Members of the Commission who are not in the regular full-time employ of the United States shall, while attending meetings or conferences of the Commission or otherwise engaged in the business of the Commission, be entitled to receive compensation at a rate fixed by the Chairman, but not exceeding the rate specified at the time of such

service for grade GS-18 in section 5332 of title 5, United States Code, including traveltime, and while so serving on the business of the Commission away from their homes or regular places of business, they may be allowed travel expenses, including per diem in lieu of subsistence, as authorized by section 5703 of title 5, United States Code, for persons employed intermittently in the Government service. 35 F.R. 6247. 83 Stat. 190.

(c)(1) The Commission is authorized to appoint, without regard to the provisions of title 5, United States Code, covering appointments in the competitive service, such professional and technical personnel as may be necessary to enable it to carry out its function under this Act. Professional and technical personnel, appointment. 80 Stat. 378.

(2) The Commission may procure, without regard to the civil service or classification laws, temporary and intermittent services of such personnel as is necessary to the extent authorized by section 3109 of title 5, United States Code, but at rates not to exceed the rate specified at the time of such service for grade GS-18 in section 5332 of title 5, United States Code, including traveltime, and while so serving on the business of the Commission away from their homes or regular places of business they may be allowed travel expenses, including per diem in lieu of subsistence, as authorized by section 5703 of title 5, United States Code, for persons employed intermittently in the Government service.

AUTHORIZATION OF APPROPRIATIONS

SEC. 7. There are hereby authorized to be appropriated $500,000 for the fiscal year ending June 30, 1970, and $750,000 for the fiscal year ending June 30, 1971, and for each succeeding year, for the purpose of carrying out the provisions of this Act.

Approved July 20, 1970.

LEGISLATIVE HISTORY:

HOUSE REPORTS: No. 91-240 accompanying H.R. 10666 (Comm. on Education and Labor) and No. 91-1226 (Comm. of Conference).
SENATE REPORT No. 91-196 (Comm. on Labor and Public Welfare).
CONGRESSIONAL RECORD:
Vol. 115 (1969): May 23, considered and passed Senate.
Vol. 116 (1970): April 20, considered and passed House, amended, in lieu of H.R. 10666.
June 29, House agreed to conference report.
July 6, Senate agreed to conference report.

MONDAY, APRIL 2, 1990.

UNITED STATES SOLDIERS' AND AIRMEN'S HOME

WITNESSES

LT. GEN. GEORGE H. McKEE, GOVERNOR, UNITED STATES SOLDIERS' AND AIRMEN'S HOME
MIMS C. AULTMAN, M.D., DIRECTOR HEALTH CARE SERVICES
COL. JAMES L. TRAYERS, JR., DIRECTOR, LOGISTICS
ELIZABETH J. WALKER, BUDGET OFFICER

Mr. STOKES [presiding]. Our next witness will be from the United States Soldier's and Airmen's Home.

INTRODUCTION OF WITNESSES

Lieutenant General George H. McKee, I recognize you.

I am pleased to have you and your colleagues with us.

If you will take a moment and tell us who you have with you, we would appreciate it.

Then we will recognize you for your statement.

General MCKEE. Thank you, Mr. Chairman.

On my left I have Dr. Mims Aultman, Director of Health Care Services at the home.

On his left is Jim Trayers, Director of Logistics and the senior engineer at the home. On my right is Mrs. Betty Walker, our budget officer.

Mr. STOKES. We are pleased to have all of you with us.

General MCKEE. It has been my privilege to appear before the subcommittee for the past 11 years. This is my 12th appearance before you.

Since this will be my last hearing with you, I want to take just a moment to express my heartfelt thanks for the subcommittee's strong support during these years in improving the home's standards of living and care for our membership there. Without your help, most of the real progress we have accomplished in our restoration program would not have been possible.

While we have been obliged to suppress and defer operations and maintenance activities for the past three years due to government-wide deficit reduction targets, our situation would surely have been worse without your support and desire to meet at least our basic needs.

Mr. Chairman, I will leave the governorship of the home this July with confidence that you and your committee will provide the new governor the continued backing you have afforded in the past. In that way, over the next few years the result will assuredly be a source of great pride for all concerned—a fine national institution which our distinguished veterans of career Army and Air Force service are truly proud to call "Home."

CAPITAL OUTLAY PROJECTS

In this context, I would like to summarize the status of our principal capital outlay projects. I am very pleased to report that a ground-breaking ceremony for construction of our new 200-bed health care building took place on March 2nd—and construction is expected to start in a few days.

As you are aware, this long-needed project had become controversial, and the subject of a lengthy series of studies and challenges.

Mr. Chairman, we at the home are deeply grateful to you and this subcommittee for your unhesitating and firm backing for this fine new facility. Without your determined support, this project would not have been possible.

The major renovation of our central Scott Dormitory, a two-year project to install central air conditioning and much more comfortable, modern living accommodations, is completed except only for the final touches.

This large dormitory now offers cool comfort in our hot, humid summers—larger private rooms with expanded closets, and the home's first private baths for members—plus new double-pane windows throughout for greater comfort and energy conservation.

Every dormitory member and every health care patient now resides in an air conditioned room.

Many lesser capital improvements have been achieved over the past few years, and several major undertakings besides the new construction are continuing in fiscal year 1990, or will be started this year. The ongoing projects include upgrading of our entire electrical distribution system, correction of asbestos deficiencies, installation of a central fire alarm system and repair of our steam heating and hot water distribution network.

New projects scheduled to start in fiscal year 1990 include the repair of the big slate roof on Grant Dormitory; construction of a loading dock and slurry building for the central kitchen; replacement of the Scott Dormitory's outdoor patio; construction of a handicap access ramp for our patients, and renovation of our King Health Center elevators.

Our Capital outlay request for fiscal year 1991 is $9,750,000. It includes: $820,000 for renovation of Stanley and Rose Chapels; $2 million to furnish and equip the new health center building. This is $900,000 less than originally requested.

$435,000 for repairs of one segment of our underground utility tunnel system; $470,000 for rehabilitation of paved surfaces projects. $280,000 of our original request has been deferred.

$3.65 million for construction of bowling alley and fitness center, and, $2.375 million for study and design of central air-conditioning and renovation of our Grant Dormitory with private baths and additional capacity. $225,000 of our original request for this study has been deferred.

OPERATIONS AND MAINTENANCE

The home operations and maintenance budget request for $38,249,000 is $496,000 less than our fiscal year 1990 appropriation—but is about $6,000,000 less than our operational needs. While I fully support efforts by Congress and the Administration to

reduce the federal deficit, I also feel we should make our concerns known to the subcommittee.

Right now in fiscal year 1990, we are finding it necessary to maintain an employment level of around 975—well below our authorized strength of 1,037—in order to finance our essential non-salary needs.

This can only mean that, without relief in fiscal year 1991, we will have no choice but to continue suppressing our workforce level even lower—continue to defer much-needed painting, paving, and equipment replacements—and maintain supply shelf stock at unacceptably low levels.

Sir, that completes my statement here. I will be glad to answer any questions you have.

[The information follows:]

UNITED STATES SOLDIERS' & AIRMEN'S HOME

WASHINGTON, D. C. 20317

BIOGRAPHIC DATA

George M. McKee, Lt. General, U. S. Air Force, Retired

A. Personal Data:

Born: 28 April 1923, Pickens, South Carolina
Married to: Nikki Young
Children: Two
Home Town: Lakeland, Florida

B. Education:

Military--
Army Administration School
Air Tactical School
Industrial College of Armed Forces

Civilian--
University of Omaha - B.A. Degree - Education

C. Major Permanent Duty Assignments:

	From	To
Enlisted -- Instructor, Airplane Mechanics Course, Aircraft Crew Chief, Flight Chief, Quality Control Inspector, Pilot B-17, B-29 Aircraft. Highest enlisted grade, Master Sergeant	1940	1947
Aircraft Commander, Squadron Maintenance Officer, Adjutant, Operations Officer, Commander, 49th Bomb Squadron, Hunter AFB, Ga.	1947	1955
Command Project Officer, SAC Command Control System	1955	1960
Deputy Commander, 3974th Combat Support Group, Zaragoza, Spain	1960	1961
Commander, 3974th Combat Support Group, Zaragoza Air Base, Spain	1961	1963
Deputy Commander for Maintenance, Blytheville AFB, Ark.	1964	1965
Commander, 319th Bomb Wing, Grand Forks AFB, N. D.	1965	1966
Commander, 97th Bomb Wing, Blytheville AFB, Ark.	1966	1967
Commander, 72nd Bomb Wing, Ramey AFB, Puerto Rico	1967	1968
Commander, 19th Air Division, Carswell AFB, Texas	1968	1970
Director, Maintenance & Engineering, Headquarters USAF	1970	1972
Chief of Staff, Strategic Air Command	1972	1973
Commander, Eighth Air Force, Guam	1973	1974
Commander, Air Training Command	1974	1975
Retired from active military service, over 34 years	--	1975
Presidential appointment as Governor, United States Soldiers' and Airmen's Home	1 November	1978

D. Decorations and Service Awards:

Distinguished Service Medal (with 2 Oak Leaf Clusters)
Legion of Merit (with Oak Leaf Cluster)
Distinguished Flying Cross
Air Medal (with 4 Oak Leaf Clusters)
Good Conduct Medal
European/African/Middle Eastern Campaign Medal (with 4 Service Stars)
Vietnam Service Medal (with Silver Star)
Air Force Outstanding Unit Award Ribbon
Legion of Merit from Spain
Outstanding Civilian Service Medal, Department of the Army (1983)
Exceptional Civilian Service Award, Department of the Air Force (1988)

(January 1989)

STATEMENT OF THE GOVERNOR, U. S. SOLDIERS' AND AIRMEN'S HOME PRESENTING THE FY 1991 BUDGET TO THE CONGRESSIONAL SUBCOMMITTEES

PURPOSE

The purpose of this statement is to furnish information on the Home which may be of interest during the committee's consideration of the Home's fiscal year 1991 appropriation request. Included is pertinent information on the Home: its mission, administration, physical plant, financing, and members. The statement also provides a general description of the fiscal year 1991 appropriation request as compared with the fiscal year 1990.

MISSION

The Home was established by Congress in 1851 for the relief and support of retired, invalid, or disabled soldiers of the Regular Army. Membership is a benefit for former warrant officers and enlisted personnel of the Regular Army and Air Force with the following qualifications: (1) honest and faithful service for twenty years or more as warrant officers or enlisted personnel, or (2) service-connected disabilities rendering them unable to earn a livelihood, or (3) non-service connected disabilities rendering them unable to earn a livelihood, provided they have had service during a war. These criteria are listed in this order not as priorities, but because about 88 percent of the membership is of the first group, and about 12 percent is of the disabilities groups.

ADMINISTRATION

General supervision of the Home was placed by Congress in a Board of Commissioners now composed of the Governor of the Home; the Principal Deputy Assistant Secretary of the Air Force, Financial Management (Resource Management); The Surgeon General, U. S. Army; Deputy Chief of Staff, Manpower and Personnel, U. S. Air Force; Chief of Engineers, U. S. Army; Commander, U. S. Army Community and Family Support Center; The Judge Advocate General, U. S. Air Force; the Sergeant Major of the Army; and the Chief Master Sergeant of the Air Force. Subject to approval by the Secretary of the Army and the

Secretary of the Air Force, the Board has authority to establish regulations for the internal direction of the Home. The law provides for an annual report of inspection of the Home by The Inspector General of the Army to be submitted to Congress.

PHYSICAL PLANT

The Home is situated in northwest Washington, D. C. Facilities include four domiciliary and three health care buildings, a service area, a heating plant, a laundry, and some minor structures. The renovation, modernization, and air-conditioning of the central Scott Dormitory has been completed, due in large part to strong Congressional advocacy and support. Additionally, all remaining member-bed areas have been air-conditioned. The current domiciliary capacity of the Home is 1,857 beds. Our hospital has a current capacity of 385 beds. Thanks to the Congress, a contract has been let for construction of a new 200-bed intermediate care facility. Throughout the years, the loss of Home lands to other activities has reduced the acreage from about 500 to the present 300. The members of the Home are grateful for the support provided by committees of Congress for retention of the Home's lands against past proposals to further reduce it.

FINANCING

The Act of 1851 provided that the Home be supported from two principal sources: (1) a monthly contribution while on active duty of twenty-five cents from each enlisted member and warrant officer of the Regular Army and later the Air Force, and, (2) fines and forfeitures imposed upon these people by sentence of courtsmartial. Public Law 94-454 increased the monthly withholding to fifty cents. Public Law 96-357 amended the Act of 1851 to also include fines and forfeitures imposed upon the aforementioned people under authority of Section 815 of Title 10, U. S. C., commonly referred to as non-judicial punishment. The Act of 1883 established a Permanent Fund in the U. S. Treasury and provided for the payment of interest of 3% per annum on the fund balance. On December 15, 1973, the Act of 1883 was amended so that the Secretary of the Treasury, taking into consideration the current average market yield on outstanding marketable obligations of the United States, would

set the interest rate. Under this amendment, the Home is now receiving about 8.07 percent interest on its fund balance. Public Law 94-454, in addition, authorized the collection of a fee from the members of the Home. The Permanent Fund's unappropriated balance on September 30, 1989 was $161 million.

MEMBERSHIP

Our male members range in age from 31 to 103, with an average age of 69. Our female members range in age from 33 to 93, with an average age of 75. There are 89 female members. The average age of the patients in the health care facility range from 45 years to 103 years with the average age being 75 years. Average total membership during the fiscal year 1989 was 1,918. Membership as of 30 September 1989 was 1,926.

THE FY 91 BUDGET FOR OPERATION AND MAINTENANCE

The Home's fiscal year 1991 operation and maintenance appropriation allowance is $38,249,000, an amount $496,000 less than its fiscal year 1990 budget authority of $38,745,000. A detailed description is included in the Home's justification booklet which has been submitted to the committee.

THE FY 91 BUDGET FOR CAPITAL OUTLAY

The Home's fiscal year 1991 capital outlay appropriation allowance is $9,750,000, an amount $375,000 more than its fiscal year 1990 budget authority of $9,375,000. FY 1991 funds are to be used to continue projects included in the Home's Restoration Plan.

CONCLUSION

The members of the Home appreciate the interest in their welfare that the committee has taken over the years.

Mr. STOKES. Thank you, General.
I appreciate that opening statement.

RECRUITMENT OF NEW GOVERNOR

General, what is the status of the recruitment?

General MCKEE. At the present time the board made a nomination to the Secretary of the Air Force and Secretary of the Army, which will be forwarded on up to the Secretary of Defense, forwarded to the White House for the President to approve. It is not a congressionally confirmed type of a position, but it is one that requires White House approval.

At the present time that nomination, the person nominated was Major General Hilbert, who is the present Commander of the Military District in Washington.

MEMBERSHIP DECLINE

Mr. STOKES. General, over the past four years, the average population of the home has declined from 2,049 to 1,918. Is this the result of lower bed capacity due to renovation or are there other factors contributing to the decline?

General MCKEE. It is a combination of lower bed capacity resulting from the construction and our restoration projects. When we went in and restored the Scott Dormitory, it had a capacity of 820 beds in it. That has been reduced to 642 beds. So, we have lost that capacity.

In addition to that, we have some beds that are available now that are not full, but they are in rather marginal type facilities. They are not too appealing for the people to come and reside there at the present time.

These are primarily in the Grant Dormitory, which is the next major dormitory that we are recommending to be renovated there at the home.

Mr. STOKES. General, recent Veterans' Administration studies show the number of veterans is projected to decrease 28 percent by the year 2010. Do projections like this decrease the real need for Soldiers' Airmen's Home?

General MCKEE. It does not, Mr. Chairman, because the home is a retirement home for the regular Army-Air Force enlisted personnel.

There may be some fluctuation in the size of the permanent standing forces. That could affect our future membership. The VA, thank goodness we have had no war to cope with in the recent past, so their population, their requirements will be changing somewhat.

Depending on the size of the regular force we maintain, the demand for retirement facilities should remain fairly constant.

Mr. STOKES. Has the home done a survey to estimate future occupancy demand?

General MCKEE. We attempted to do that about four or five years ago, sir.

A future needs study was conducted at the home. That was the primary question that I wanted answered.

What is the requirement for the home in the year 2025? That is the one question they could not get a solid answer for. It is like if I was to ask you the same question, when do you plan to go into a retirement home or something like one?

None of us are ready to answer that question. They posed the question to the regular forces and to some retirees who are not there yet. We did not get a satisfactory answer.

Mr. STOKES. I see.

AUTHORIZATION

General, last year's defense authorization bill made the home's appropriation subject to annual reauthorization. What impact does the home anticipate from the change and what is the status of the 1991 authorization?

General MCKEE. The impact on that, as I understand it, Mr. Chairman, is that now we will be going through one of the subcommittee's of Armed Services under the House, which will be the authorization subcommittee.

I assume that will be the Readiness Subcommittee. We appear before them on the 19th of April for a hearing.

I assume that the authorization part will come in as part of that hearing.

What was the second part of the question, sir?

Mr. STOKES. The status of the 1991 re-authorization?

General MCKEE. I am at a loss as to that question.

Mr. STOKES. Have you begun the re-authorization process for the next fiscal year?

General MCKEE. There has been a DOD study team that was formed and studied the requirements of consolidating and standardizing the Soldiers' and Airmen's Home and the Navy's Home. That study is due, I believe, to Congress today.

I am not exactly sure about that. Congress should be receiving that today. That is what I think will be the subject of the Readiness Subcommittee on the 19th of April with the three services providing their views on the results of that study.

DOD STUDY

Mr. STOKES. Can you tell us what the study is expected to recommend?

General MCKEE. We expect it to recommend that the Navy establish a trust fund similar to what we have in the Soldiers' and Airmen's Home.

The study is going to recommend a larger board of directors, or trustees be formed than we have at the present time.

On that board would be a couple or three positions from the geriatric medicine field, nursing home administration and financing, and experts of that type to advise the board. In addition, they are recommending on the board to have someone who is an expert in financial management.

They are recommending that the home be given the authority to take a trust fund out of the treasury and let it be invested the same as some of the other military type funds such as AAFES.

One of the most appealing features of the study report, as I understand it, I understand the group recommended the services secretaries have approval authority for the Budget submitted to Congress and not be subjected to review by OMB. That would be the first beneficial thing we have gotten from any study paid for by the Home.

FY 90 TRANSFER AUTHORITY REQUEST

Mr. STOKES. You recently asked the committee for legislation that will allow the transfer of $375,000 from capital outlays to operation and maintenance in 1990.

What unanticipated circumstances make this request necessary?

General MCKEE. At the present time, Mr. Chairman, our employment level is at 982 out of 1037 authorized. We are going to have to drive that down to about 975. That will just about allow us to get through the year if we reduce our employment level to that point without having to furlough the work force.

If we have an emergency to occur, if I lose one of my large transformers there requiring $300,000 or $400,000 or something to replace on an emergency basis, we are dead in the water. We will then have to furlough the work force.

Our request, sir, is not to exceed that amount. We would use it if we have to use it. In other words, if I don't need it, it will remain in the account and we will not disturb it. We need some authority in case of an emergency situation develops.

HEALTH AND HUMAN SERVICES STUDY

Mr. STOKES. General, in October 1989, the Department of Health and Human Services completed an in-depth study of the Soldiers' and Airmen's Home health care needs.

I would appreciate if you would place a summary of the study's recommendations in the record at this point and tell us briefly what the study recommended and the home's response?

General MCKEE. Mr. Chairman, I will make a couple of comments about the study.

Then I will ask Dr. Aultman to comment more specifically on it.

I have always supported a study at the home to tell us what our beds needs are out there, but I felt this study was premature. This study was a result of an OMB one conducted at the home a couple of years ago. At that time the issue was what size, shape configuration of a building should you have.

Should it be two 200-bed buildings or one 400-bed building. It grew from that question into how many beds we need at this time. We know how many beds we need at this time because we need to replace the old, outdated buildings and facilities we have there. That is what we are doing with this new building we are in the process of getting ready to construct, is replacing one of the older buildings and providing more modern accommodations.

We will need to do a study later on for the next increment of about 200 beds, which will total about 400 beds, which is approximately what we require at the present time.

When that occurs, if we are successful in convincing the Secretary of the Army and the Air Force and Congress that we need

that facility, then we would take the Pipes Building, which houses some 300 of our patients at the present time, and go in and remodel and convert it into a dormitory to make up for some of the bed losses we have experienced in the Scott dormitory by taking every third bedroom and converting it into a private bath and walk in closet for the members who live there. It is a balancing act we are going through.

At this time Dr. Aultman will answer you more specifically.

INDEPENDENT LIVING

Mr. STOKES. Dr. Aultman?

Dr. AULTMAN. Thank you, Mr. Chairman.

The first recommendation of the study was that substantial effort should be continued to re-orient the focus of the home to maximize members' ability to live independently and in assisted living conditions as long as possible.

I would like to point out that we had started that process before the study team came, and we have continued to move into that direction. We have increased the staffing of our community health nursing, which is an operation in the dormitory area, so that we can continue to provide assistance to the members who live in the dormitory and keep them as independent in the dormitory environment as long as possible and as long as their quality of life is at an acceptable level.

Of course, the advantage of increased self-care and independence is not only the increased self-esteem that the individual has, but it helps reduce the cost of that care by reducing the number of care givers given.

We have accomplished these, by an internal shifting of personnel assets. In some cases that includes the downgrading of some skill levels. That allowed us to help keep our cost from increasing.

At the time of the study many of the former dormitory rooms were out of use due to the renovation of the Scott Building.

With the completion of that renovation and the reopening of the rooms with private baths, many of the members were able to relocate from the King Health Center. The Scott Building is accessible to members in wheelchairs and even to those with battery powered wheelchairs.

KING HEALTH CENTER PHYSICAL PLANT

The second recommendation has to do with the statement that the King Health Center physical plant is an unacceptable environment for long-term care and should be substantially changed. We wholeheartedly concur with that finding.

While the quality of care provided is of high quality, the physical plant is limited by standards of construction of design there in excess of 40 years.

Lack of the basics for handwashing in each room and adjacent toilet is unacceptable in the 1990's. The first phase of replacement facilities is just beginning, and in some two years' time will provide new kitchen and dining room facilities to replace those that are 70 years old.

This building will also provide space for rehabilitative services and the public areas of information to include the new information desk, snack bar, barber shop, mail room all set in a town center concept to encourage socializations.

Two hundred intermediate and assisted medical care beds will be constructed on the four upper floors. Still needed are replacement facilities for those requiring skilled and special care such as Alzheimer's units.

HEALTH CARE BED COMPLEMENT

The third recommendation assumed a dormitory population of 2000. They recommended a complement of approximately 250 health care beds.

While the upper range they gave was 362, and that certainly is within reason, but there has to be some caution in taking that analysis on face value. Over a couple of months in early 1989, the study team took a large sample of King Health Center residents and evaluated them using a standardized assessment tool which requires a bit of subjective judgment, but which does not measure minimal deficit such as dementia unless they affect the activities of daily living. That is the ability to self-feed, bath, go to the toilet by one's self, perform personal grooming and to be able to dress one's self.

That 1989 data was then compared with reports of residents in VA and state nursing homes that was at least 10 years old. All comparisons were made with free standing nursing homes and none were made with the health care component of life care retirement communities. Demented elderly are able to live with family members in a community setting.

At our retirement community the staff is the surrogate family. Without unlimited resources, some grouping of those with common needs is necessary for the efficient use of staff.

It must also be kept in perspective that a facility cannot be sized to accommodate the numbers of the anticipated occupancy. All beds cannot be used on a day-to-day basis.

For example, an Alzheimer's unit might have 25 beds but it would have to be operated if we only had 10 patients. You could not use those beds for patients not needing that supervised care.

The 326 is within the range of what we have discussed as sort of a replacement of our current 385.

NURSING STAFF LEVEL

Mr. STOKES. General, the HHS study compared the home's nursing staff level to that of five Veterans' Administration facilities. The results showed the home's ratio of nurses to patients was considerably higher.

Why is your nursing care more staff intensive?

General MCKEE. Dr. Aultman will answer.

Mr. STOKES. Dr. Aultman?

Dr. AULTMAN. Again, I think that reflects the problems of that study. They used an assessment tool called a RUG-II, for a study of evaluating the activities of daily living.

They came and studied our people specifically, 100, 200 of them both in King Health Center and then some in the dormitory. Again, they compared that fresh 1989 data to data from records that was dated 1977 to 1978.

There is really no way to say that those patients in those other nursing homes were evaluated by the same standards. Certainly we all recognize that the type of patient that might be found in nursing homes today tends to vary from what it was 10 years ago.

Again, increased emphasis by all committees, the Select Committee on Aging is that care and nursing homes has not been satisfactory. More and more of the standards, the joint commission standards say you have got to do better.

You have got to watch this. You have got to do quality assurance. If you do better quality and do all those things, it just takes more staff.

I don't think we are overstaffed by any means.

SOCIAL ISOLATION

Mr. STOKES. The HHS study identified substantial social isolation and lack of community integration among both the residents of King Health Center and the dormitories.

Is this conclusion accurate?

If so, how is it being addressed?

Dr. AULTMAN. To some degree that is true because we have people from all over the United States, and they may be quite distant from family. In many cases there is no family or family is so old they can't come and visit.

As I said earlier, staff has to perform some of the functions of family. We do the best we can with recreation activities and providing busses and trips to take people out to museums or other sightseeing activities as well as just simply going to restaurants and shopping centers, which is what they like to do.

In the dormitory, in the renovation of the Scott Building, some of the dayrooms were used to put in more member's rooms to make up for the loss of total number of member rooms due to the adding of the closets and bath rooms.

It is interesting that the dayrooms had previously been vacant all the time. Members did not socialize in those dayrooms. They had their own TV and their TV cable. They sit in their rooms, and there is not much socialization.

Now there are no dayrooms in those areas, but they never used them before. There are other joint areas within the dormitory for socialization, and they are used by some members. We can't make them use recreational activities.

We can only provide them and encourage them to go and make trips and to do recreational things. There are recreation staffs in the dormitory and there are a lot of activities provided, but it takes the motivation of an individual to do them.

In the King Health Center we have therapeutic recreation specialists who perhaps do a little bit more in an individual way to encourage them to get out.

Mr. STOKES. The Army Inspector General recently completed its requiring annual inspection of the home. What were the major findings from the inspection?

[The information follows:]

General MCKEE. The FY 90 annual inspection of the Home was conducted during 30 October to 14 November 1989. The memorandum of 16 November 1989 from The Inspector General to the Secretary of the Army outlining the results of the inspection follows: (quote) "In compliance with Title 24, United States Code, Chapter 2, Section 60, the DAIG inspected the United States Soldier's and Airmen's Home (USSAH) from 30 October to 14 November 1989. The USSAH accomplishes its mission within the limitations detailed in the findings of this report. The concern for the welfare of the Home members and the professional competence of the staff constantly impressed the inspection team. The Home residents enjoy excellent, well-maintained facilities, a broad range of recreational activities and well-balanced, nutritional meals. Sensing sessions with members reveal widespread satisfaction with programs, staff, and facilities. Further, residents express a deep sense of gratitude for the opportunity to live in secure, attractive facilities that, in most cases, would otherwise exceed their financial capabilities. Inspectors cited numerous commendable areas.

The overwhelming assessment of the USSAH is positive. Still, potential for improvements exists, and the findings written chart a course for making a good operation better. No one should draw negative conclusions from the increase in findings over last year (twenty-two versus nine). A larger team visited the Home, and some new areas received attention.

Commendable findings included maintenance of the Home's grounds, the security program and the postal service. The weight reduction program could serve as a model of its kind. The Home's staff converted the personnel system from excepted service to the OPM system expeditiously and with minimal disruptions. The Hazardous Waste and Hazard Communication programs were both excellent. Further, the Home has established a first-rate automation plan. Finally, the management of procurement and contract execution also received commendations.

Several other areas, however, could improve. The King Health Center's regulation addressing medical records requires updating, and documentation on patient treatment needs more specifics. Manpower management would improve with additional detail in the program documentation and completed documentation books maintained at the directorate level. Planned surveys have, in some cases, not been conducted. In the safety arena, both the hazard reporting and identification and abatement programs require improvement. The Home's seatbelt policy should be brought in line with the executive order. Better subsistence documentation would reduce the potential for loss, and standard recipe cards with a dietitian review would improve the King Health Center dining operation. The management of the Home's spiritual program would benefit from a document that married resources to events. The inspection team noted favorably the remarkable improvement in the Grant gynasium, but the Home needs to ensure that the recently implemented maintenance procedures on the bowling alley pin setters remain in force. Further, the lack of any contract instruction program in Arts and Crafts limits the level of achievement possible for hobbyists. Property management would improve by bringing practices in line with Governor's Directive 8-1 and gaining hand-receipt control over all items. Baggage accountability must contain provisions to adjust inventories when hospital residents remove items. Costs for audit services might be trimmed by using the independent CPA auditor annually rather than quarterly. Regardless, procurement of these services should follow Home directives, and a detailed statement of work should be prepared. Documentation of financial committee meetings requires improvement. Inclusion of the automation function in the budget would allow better planning and execution of the automation of the Home's management functions. Procurement planning would benefit from including internal procurement personnel at the outset of all contracting actions, whether construction of other types of procurement. Finally, the facility engineer operations would benefit from adoption of a resources management plan and some form of performance standards.

The team also assessed the Home findings from the previous years' inspection and closed six. This report includes follow-up findings on the remaining three.

All findings have been referred to the Governor for action, and he has been requested to schedule a briefing on the results to the Board of Commissioners. The team chief discussed a variety of other inspection matters with the Governor. I have

asked that corrective actions be provided this office within 120 days. I will forward an assessment of those actions to you." (end quote)

General McKee. The 12 years I have been there, sir, this report had fewer major findings, had a lot of minor findings, but nothing was major that I saw. The most serious one that they came up with that we fully supported and endorsed was the way that the funding process was inhibited by interference by OMB in our budget process.

That was about the most serious one. There was 22 inspectors out there, for two weeks. They went over us with a fine tooth comb.

If you look long enough, you are going to find some warts, but nothing serious. That was the situation there. Of the 12 years I have been there, sir, that is the best inspection report that I have seen. There was nothing major.

Just for your information, sir, each time that the Inspector General comes out, there is one area that I ask him to look into specifically.

Look into if there is any possible waste, theft, fraud, abuse, anything of that nature and report that back to us. Each time they have said the potential is there, but they have never reported any actually happening.

Just for your information, sir, that was one of the changes that was made in the 1990 authorization bill, that the Army IG who has been coming out since 1883 up until this past year now is no longer required to come out.

This year the DOD IG is required to come out. Part of the team is out there already, at least the audit portion of the team.

To be sure we are on the straight and level, we have two members of the team with us this afternoon observing the hearings. We expect the full team to come out in late May for their inspection.

We anticipate getting a report back in probably September. They are to make a recommendation as to how frequently the home should be inspected and who it should be conducted by.

OPERATIONS AND MAINTENANCE

Mr. Stokes. General, why is the 1991 operations and maintenance request for the home less than the fiscal year 1990 appropriations?

General McKee. Those were the figures that were passed back to us by OMB. That is what we have—actually let me say that our request was some $6 million more than what you have before you. Our request was $44,353,000, I believe.

It was reduced back. We were allowed no improvement or enhancement level whatsoever there. In fact, we came up with $496,000 less than last year's budget. That is why we are having a problem with having to reduce our work force and supply stocks.

Inventories are going down. We cannot continue in that direction, sir.

JCAHO RECERTIFICATION

Mr. Stokes. The King Health Center is scheduled for its regular crediting review in October 1990. The HHS study and the Army Inspector General's report identified several problems at the center.

Will these problems prevent re-certification?

General McKee. In my opinion, it will not. But we will let Dr. Aultman answer that.

Dr. Aultman. Sir, I fully expect us to be accredited again for a full three years. The problems as identified there are, have been or will be corrected. The comments of the joint commission three years ago have all been corrected also.

They always make comments about the physical plant, but we continue to get excused for that because they realize we are working on replacing the defects of the physical plant.

RISK FOR WASTE, FRAUD AND ABUSE

Mr. Stokes. The home was one of several agencies identified by the Office of Management and Budget to be at risk for waste, fraud and abuse. What problems were highlighted and what are you doing to correct them?

General McKee. Mr. Chairman, I am not—not aware of any problem that we have had there.

It is not a problem, but it is one of communications with the people who came out. You get a report which says there is a potential for waste, fraud or abuse or something, but we really have no problems out there of serious concern.

I would like to submit some more for the record on that point.

Mr. Stokes. Please feel free to expand upon that in the record.

[The information follows:]

General McKee: The problems highlighted came primarily from the 1988 annual inspection by the Inspector General, U.S. Army. The following areas were identified as having some potential vulnerability, but no evidence of actual waste, fraud, or abuse: contract planning oversight, contract administration staffing/training, management of custodial services, subsistence accountability, and energy conservation. The Home specifically requests each year that the Inspector General look for any such areas. During the 1989 inspection, the management of procurement and contract executions received a commendation.

Financial account records are audited each quarter by an independent certified public accounting firm. No material exceptions have been indicated.

Areas identified are targeted by the Home's Internal Review Office for follow-up and recommendations for improvement.

Representatives of the Surveys and Investigations Staff, House Committee on Appropriations, spent several months in 1989 reviewing the Home's financial management.

COMPUTER SYSTEM

Mr. Stokes. Does the 1991 request include funds for updating the home's computer system?

General McKee. It does not. We attempted in the past to get funds for improving our automation system.

Each time we have been advised to take it out of your salary accounts. That is where we are, do have a critical problem with that because we have not been able to automate the home systems and keep up with the other agencies. This is now beginning to be a serious problem.

FY 91 PAY INCREASE

Mr. Stokes. Was the home allowed to request funds in support of any of the 1991 pay raises?

General McKee. The OMB is going to, the information we have is that they will fund about half of the approximately $800,000. Our FY 91 pass back was $37,846,000. OMB later increased this to $38,249,000 and stated that the additional $403,000 was to finance one-half of anticipated FY 91 pay increase. Although OMB contends they allowed the Home $403,000 for the pay increase, the budget before you is $496,000 less than our FY 90 appropriation.

Mr. Stokes. General, we will have a number of other questions which we will submit to you for the record.

We will ask you to provide us with full answers to those questions.

GOVERNOR'S DISTINGUISHED SERVICE

Mr. Stokes. I would like to take just a moment before we conclude. In light of the fact that you announced to us in your opening statement that you are about to retire from your position here with the Soldiers' and Airmen's Home, I think I would be derelict were I not to have the record reflect the long and distinguished career that you have had.

You retired from active military service after 34 years. Not just 34 years. You had 34 very distinguished years of service to this nation and to the nation's Air Force. You were appointed as a Commander in several instances. You were in various parts of the world on behalf of the Air Force.

You have had many decorations and service awards during your career, amongst which is the Distinguished Service Medal with two Oak Leaf Clusters, a legion of Merit with Oak Leaf Clusters, and the Distinguished Flying Cross. The list just goes on and on and on. Then, of course, in November 1978, about 12 years ago, you were the recipient of this appointment as the Governor of the United States Soldiers' and Airmen's Home. You have appeared before this committee over the last 11 or 12 years now.

We have come to know and respect you for the service you have given in this capacity, too. As you now retire for the second time, we want the record to reflect how important you have been to this nation in both respects.

I just wanted the record to reflect how much this committee respects and admires you for the services you have given this country.

General McKee. Thank you, Mr. Chairman.

Mr. Stokes. Thank you, sir. We also appreciate the appearance of your colleagues with you today.

We have had a good hearing.

This will now conclude our hearings until 10:00 a.m., tomorrow morning.

[Questions and answers for the record and the justifications follow:]

COMPENSATION AND BENEFITS

Mr. Natcher: Does the Home have any employees that are eligible for the executive pay raise authorized in the Ethics Reform Act of 1989?

General McKee: No Home employees are eligible.

Mr. Natcher: Why does the revised 1990 estimate for civilian personnel benefits increase 13% over the original request when regular compensation increased by only 3%?

General McKee: In FY 89, the cost of health insurance increased significantly. That increase is primarily responsible for the disparity noted. The revised estimates take these increased health insurance costs into consideration whereas the original estimates did not. Our percentage of benefits to salaries increased from 17.1% on the original estimate to 18.6% on the revised estimate.

TRUST FUND

Mr. Natcher: What interest rate is assumed for trust fund balances in 1990 and 1991?

General McKee: The interest rate assumed when the 1990 and 1991 estimates were made was 8.5%.

Mr. Natcher: What is the current balance in the trust fund and how much could be used in 1991 without jeopardizing the principal?

General McKee: The unexpended trust fund balance as of 31 March 1990 was approximately $202,000,000. Income to the fund has averaged $49,840,000 over the past five years, and we anticipate income to the Trust Fund in the $50,000,000 range for FY 90. The O&M and Capital Outlay requests, as approved by OMB, total $47,999,000 or about $2 million less than our FY 90 anticipated income. The additional $5 million needed for O&M and $3,825,000 needed for Capital Outlay for a combined total of $56,824,000 can be appropriated without jeopardizing the trust fund. In fact, if some of those needs aren't met now, we are likely to find ourselves facing greater costs in the future, incident to postponement.

AMBULATORY CARE USAGE

Mr. Natcher: The rate of ambulatory care use by the Home's dormitory members is more than double the per capita rate for U.S. males over 65. Are your residents sicker than other older males, or is easy access to ambulatory care at the Home abused?

General McKee: The members at the Home are probably no sicker than other older males nor are they abusing the ambulatory care services. A large part of a discrepancy between the two groups, should a true discrepancy exist -- is a matter of access. Many older people throughout the country experience problems of lack of access to health care due to a variety of reasons, such as transportation and cost of care and medications. At the Home, members are encouraged to participate in annual physical screening programs and to seek

professional assistance for medical problems. The average age of Home members has been increasing in the past 10 years. Generally, older people consume more health care. There has also been increased interest in preventive programs to promote a healthier life style. It is important to note that our average patient age is 74 years and that approximately 10% are over age 90. Our members are aging, as is the national population, and health care has not yet fully responded to the change, nor provided the range of services which we are providing. In the national registry of physicians there are 65,000 pediatricians, but only 400 gerontologists. Yet, older people are disproportionately higher users of health care services. Our perception is changing from the sick in hospital care to ambulatory care, preventive, educational, and social services for our members as they age.

PHYSICIANS

Mr. Natcher: Did the recent reduction in the number of physicians at the Home occur through attrition?

General McKee: Yes. No involuntary separations took place. Voluntary retirements and resignations accounted for all losses.

Mr. Natcher: How many physicians are employed at the Home and are all eligible for the Physician's Comparability Allowance?

General McKee: Eight full time and 3 part time are employed. All our physicians are eligible for Physicians Comparability Allowance (PCA); however, budget constraints prohibited the payment of allowances to all eligible physicians. Three PCA contracts were signed effective 25 March 1990. A total of $39,000 has been committed to payment on these contracts annually over the next two years.

Mr. Natcher: What is the status of the reauthorization for the Physician's Comparability Allowance?

General McKee: The extension which was requested on 25 September 1989 was approved by OMB on 20 March 1990.

HOME SMOKING POLICY

Mr. Natcher: Current statistics indicate that approximately one out of three Americans smoke. How does the national rate compare to that at the Home and what is the Home's policy on smoking?

General McKee: The quoted national rate is comparable to the Home's rate of about 38% smokers and 62% non-smokers. The recently renovated Scott Dormitory has smoking and non-smoking floors designated based on the 38% smokers and 62% non-smokers figure. In order to provide as much smoke-free environment as possible, Home policy is to restrict smoking to private dormitory rooms and in designated areas only. This allows those who wish a place to smoke while still allowing for most public areas to be smoke free. For example, smoking is not permitted in dining rooms, classrooms, auditoriums, conference rooms, corridors, stairways, arts and crafts classrooms,

and all other areas not specifically identified as designated smoking areas. At the King Health Center, we find that about one in four member-patients smoke. Smoking is permitted there in designated areas only. No smoking is permitted in patients' rooms, and two floors are completely non-smoking.

ASSISTED LIVING

Mr. Natcher: Does the Home believe that it places enough emphasis on assisted living?

General McKee: The program of assisted independent living at the Home continues to evolve and expand within the limits of staffing and facilities. For our membership, the goal is to improve the health and quality of life, and to reduce the annual number of days required in the health care facility. The Home is a continuing care retirement community. Members are living longer and have more active lives than previous generations. The intermediate care facility now under construction incorporates design features such as shortened halls, non-glare lighting, and new kitchen and dining room facilities to replace a building that was over 70 years old. There are also co-located rehabilitation services and public areas for a town center with a snack bar, barber shop, mailroom, and other activities to encourage socialization. It is our goal to maximize members' activities so as to maintain them in independent and assisted living settings as long as possible. Community health resources in the dormitories have been expanded by converting inpatient staff positions. The recent completion of the Scott Dormitory renovation has permitted a number of members in King Health Center to move to this dormitory. More wheelchairs and even battery-powered vehicles are now in use in the dormitory. Health care personnel work closely with our floor managers to assist members in remaining as independent as possible. Indeed, the Home does provide a high degree of assisted living. On Scott 1 & 2, attendant care is provided to 117 members that are borderline nursing care patients, and 40 to 60 additional bed spaces are utilized on Sheridan 1 for members that are ambulatory but need some attendant care. The policy is to keep members in a dormitory environment as long as possible, cut short only when the need for profound medical care cannot be provided on an outpatient basis. This has been a long-standing policy of the Home and has proven most cost effective and desired by members.

MEDICARE

Mr. Natcher: Does the Home plan to seek Medicare certification for the new Intermediate Care Facility? Why or why not?

General McKee: The Home had previously looked into certification by Medicare and Medicaid. The General Accounting Office and The Judge Advocate General of the Air Force have provided opinions that the King Health Center is a "Federal provider of service" and is not entitled to reimbursement for care received in the Home's health care facility from the Social Security Administration Health Insurance Program for the Aging (Medicare and Medicaid). The principle as explained is that the government should not move funds

from one federal "pocket" to another. Since the Home is almost totally funded by active military enlisted personnel, not by tax revenue dollars, participation in Social Security Administration programs would only transfer another funding burden to the taxpayer and add to the deficit problem. Federal facilities including the VA, are not inspected or licensed by a non-Federal jurisdiction. The added costs and other requirements would have disadvantages greater than the advantage of recovering some Medicare payments. Members do utilize Medicare reimbursement as individuals for care received at non-Federal facilities.

STAFF TRAINED IN HEALTH CARE

Mr. Natcher: Are any administrative staff at the Home specifically trained in health care management?

General McKee: The Director of Health Care Services is a retired Army physician with a master's degree in hospital administration. He has had many years of experience in the management of hospital and related health care services, including an evacuation hospital in Vietnam, the hospital at Fort Jackson, South Carolina, and the entire medical services in the Panama Canal Zone immediately after the Panama Canal treaties went into effect. He is also an adjunct professor of health care services at the George Washington University School of Medicine. The Chief of Professional Services, a retired Air Force physician with many years experience including positions of senior management in health care, has completed the management training of the American College of Physician Executives. He completed thirty years of Air Force service as Director of Professional Affairs in the Office of The Surgeon General, USAF, where he also supervised the program of quality assurance. He is a member of the American College of Physicians and is an adjunct professor of health care services with the George Washington University School of Medicine. Our King Health Center Administrator, also a retired Army officer, has a master's degree in hospital administration plus years of Army and civilian health care management experience. These include experience as an administrator at Johns Hopkins Medical Institute for ten years, director for a number of years as an Associate Professor of hospital administration at the University of Miami, and as an Associate Administrator of the University of Miami's Mailman Center. The Director of Nursing has a master's degree in nursing and is a nurse administrator certified by the American Nursing Association.

CONTRACTING OUT LONG-TERM HEALTH CARE NEEDS

Mr. Natcher: Has the Home considered contracting out long-term care needs?

General McKee: We have contracted out some aspects of health care functions, such as physician coverage in other-than-normal duty hours. As a life-care retirement community, long-term care at the Home is part of the integrated continuum of family-like care. It would be inappropriate to move a long-term resident to a contract nursing home where our social service and other supportive staff could not provide assistance. Civilian nursing home charges do not

include physician care, medicines, laundry, rehabilitative services, and other supportive service. The cost of financing total contract care would far exceed the in-house cost per patient, and would be prohibitively expensive. Again, in a continuing care retirement community, care is continuous from fully independent living through long-term care. Only those patients requiring chronic psychiatric care or hospitalization have to be transferred to other facilities.

APPROPRIATIONS HISTORY

Mr. Natcher: Please prepare a 10-year appropriations history table including columns on: the budget estimate to Congress; the House Allowance; Senate Allowance, and the final appropriation. Include both Operations and Maintenance and Capital Outlay accounts.

General McKee: The 10-year appropriations history table is located at attachment 1.

ORIGINAL FY 91 BUDGET REQUEST

Mr. Natcher: Provide the Committee with more detail on your original 1991 budget request to the Office of Management and Budget, specifically in the areas of equipment, supplies, and personnel.

General McKee: Our original agency request to the Office of Management and Budget included provision for some increase in staffing levels. However, as depicted in the following table our shortfalls are primarily in the other services, supplies and materials, and equipment areas.

STANDARD CLASSIFICATION SCHEDULE FOR OBLIGATIONS

		1989 Actual	1990 Estimate	1991 Proposed Budget Estimate	1991 Agency Request to OMB
Operation and Maintenance:					
11	Personnel compensation	23,496	25,776	26,546	27,042
12	Personnel benefits	4,347	4,780	4,918	5,024
13	Benefits for former pers'l	48	15	15	15
21	Travel and transportation	5	3	3	20
23	Communic, util & misc.	1,060	1,050	1,100	1,563
24	Printing & reproduction	32	35	35	44
25	Other services	2,646	2,800	2,800	3,735
26	Supplies & materials	4,978	4,425	2,973	5,521
31	Equipment	755	0	0	1,531
42	Insur claims & indemnities	3	5	3	2
	Total obligations	37,370	38,889	38,393	44,497
	Unobligated withdrawn	2			
	QS&L collections	- 124	- 144	- 144	- 144
	Budget Authority	37,248	38,745	38,249	44,353

The amounts requested in the non-salary accounts do not allow for any expansion or improvements of existing services or introduction of any new services to meet the needs of an aging population. Due to funding limitations for the past several years, filling employee vacancies and purchasing needed equipment has been placed on hold, supply shelves inadequately stocked, and repairs and maintenance, both in-house and contractual, deferred. Each year, the situation worsens and we find it necessary to suppress our employment level lower and lower in order to make funds available to purchase the absolutely essential commodities.

CAPITAL OUTLAY

Mr. Natcher: By 1992 the Office of Management and Budget wants the Home to request the total cost of a capital project in its first year rather than on a year-to-year basis. What can the Committee anticipate for the 1992 capital outlay request?

General McKee: We plan to request $29,765,000 in FY 92 for: Construction of Irving Street Gate Road and Entrance Gate House, $1,350,000; Rehabilitation of Utility Tunnels Phase II, $275,000; Rehabilitation of Paved Surfaces Phase II, $660,000; Renovate and Air-Condition Grant Dormitory, $26,000,000; Install Energy Efficient Windows in Sheridan Dormitory Phase II, $725,000; Perimeter Fence Phase I, $550,000; and Balancing Electrical Load among New Transformers and PEPCO Feeders, $205,000. However, OMB has indicated in our FY 92 allowance letter that we will have capital outlay budget authority of only $10,140,000. It is possible that even the $10,140,000 could be reduced by OMB during their review by applying more up-to-date economic assumptions. This was the case with our FY 91 request. Although our FY 91 submission was less than the $15,354,000 ceiling that had originally been authorized, our request of $13,405,000 to OMB was reduced to $9,750,000.

Mr. Natcher: Provide a list of the budgeted capital outlay projects for 1990 and 1991, their cost, and the status of each.

General McKee: Budgeted Capital Outlay projects for FY 90 total $9,375,000, as follows:

Construct Scott Dormitory Loading Dock and Slurry Building - $330,000. The design is completed; bids have been solicited and received. Construction award is awaiting determination of low bid contractor qualification. Construction is currently scheduled to start in May 1990.

Replace Scott Dormitory Patio - $140,000. Design is completed. Start by in-house workforce depends on availability of manpower and suitable weather.

Renovate Scott Dormitory Kitchen - $1,000,000. Phase I, Renovate Ware Washing Area - design is completed. Construction is scheduled to begin in early May 1991 after completion of the Loading Dock and Slurry Building, and clean-up of asbestos in the basement under the construction area. Phase II, Renovate Cooler/Freezers - design started in March 1990, and is expected to be completed by December 1990.

Revise USSAH Master Plan - $350,000. A contract was executed on 17 January 1990 to develop an updated, revised Master Plan for the Home, scheduled to be completed in June 1991.

Construct Parking Lot and Turnaround, Grant Dormitory - $300,000. Design is completed. However, we have asked the Congress to reprogram the FY 90 construction funds because of shortfalls in our FY 90 O&M accounts.

Construct new 200-bed medical facility - An additional $1,404,243 in FY 90 appropriations was reprogrammed from Heating Plant Renovation to this project. Construction started on 14 February 1990. Completion is scheduled in April 1992.

Construct Handicap Ramp, Pipes Medical Building - $130,000. Bid solicitation is scheduled in April 1990.

Renovate King Health Center Elevators - $1,400,000. Plans and specifications are completed. Procurement for construction is currently underway through the U.S. Army Engineer District, Baltimore. Construction is scheduled to begin in June 1990 and to be completed December 1991.

Install Central Fire Alarm System - $390,000. Design for the Sheridan Dormitory is completed. Fire alarm equipment is being purchased and contract for installation is scheduled for November 1990.

Correct Asbestos Deficiencies - $500,000. Contract for the removal of asbestos at the Laundry is underway. The design for removal of asbestos in the basement directly under the Scott Dormitory Kitchen is completed; removal work is scheduled in July 1990.

Renovate Heating Plant - $235,757. Negotiations with selected U.S. Army Engineer District for feasibility study are underway.

Renovate Support Buildings - $245,000. Feasibility studies prior to preparation of plans and specifications for roofs and porches are underway.

Renovate Low Temperature/Hot Water Distribution System - $1,000,000. The final phase of the replacement of the Home-wide Low Temperature/Hot Water Distribution System is on-going.

Renovate and Air-Condition Sheridan Dormitory - $1,000,000. Preparation of plans and specifications for this project is awaiting completion of the design of the replacement bowling alley and fitness center.

Renovate and Air-Condition Sherman Dormitory - $75,000. Congress has been requested to reprogram these funds because of the shortfall in FY 90 O&M accounts. Funds will be re-requested in FY 92, if not restored in the FY 91 budget.

Install Energy Efficient Windows, Sheridan Dormitory - $875,000. Design is completed. Scheduled solicitation in April/May 1990.

Our FY 91 Capital Outlay request before the committee totals $9,750,000 and includes the following:

Renovate Stanley Hall and Rose Chapel - $820,000.

Purchase ICF Furnishings and Equipment - $2,000,000.

Rehabilitate Utility Tunnels, Phase I - $435,000.

Rehabilitate Paved Surfaces, Phase I - $470,000. Design to be accomplished in-house; construction to start when funds are available.

Construct Bowling Alley/Fitness Center/Exchange Store - $3,650,000.

Design for Renovation and Air-Conditioning of Grant Dormitory - $2,375,000.

CAPITAL OUTLAY APPROPRIATIONS HISTORY

Mr. Natcher: How much of the Capital Outlay budget remains unobligated from year to year?

General McKee: Our first capital outlay appropriation was in FY 82. The following table shows the cumulative appropriations, net of amounts transferred to Operations and Maintenance, from FY 82 through FY 89 and the total balance remaining unobligated at the end of each fiscal year.

FISCAL YEAR	APPROPRIATIONS	CUMULATIVE CAPITAL OUTLAY APPROPRIATIONS	BALANCE UNOBLIGATED END OF FY
1982	$ 953,000	$ 953,000	$ 0
1983	0	953,000	0
1984	4,550,000	5,503,000	2,089,000
1985	9,400,000	14,903,000	9,823,000
1986	13,114,000	28,017,000	3,023,000
1987	15,284,000	43,301,000	3,722,000
1988	15,445,000	58,746,000	16,671,000
1989	14,820,000	73,566,000	32,676,000
1990	9,375,000	82,941,000	7,674,000

The balance remaining for FY 90 was as of 31 March. The funds remaining unobligated at the end of Fiscal Years 1988 and 1989 were primarily for the new health care building. We were not permitted to obligate these funds pending completion of an independent, OMB-directed study by HHS.

MASTER PLAN

Mr. Natcher: What is the status of the master construction plan being developed by the Home, and what is its estimated cost?

General McKee: A contract for $450,000 was executed on 17 January

1990 to develop an updated, revised Master Plan for the Home, scheduled to be completed in June 1991.

IN-HOUSE RENOVATION PROJECTS

Mr. Natcher: What share of your renovation projects are done in-house instead of by contract?

General McKee: Less than one percent.

HOME'S LAND AS NATIONAL HISTORIC LANDMARK

Mr. Natcher: How much of the Home's acreage is designated a National Historic Landmark, and what plans are there to expand the coverage?

General McKee: Currently there are approximately six acres of our total 302 acres of the Home which have been designated as a National Historic Landmark. An architectural study in 1985 found that the Home is as important a national treasure as are West Point and Annapolis. Based on this evaluation, we have undertaken plans to have the entire 302 acres designated as a national landmark. Because we have received varying cost estimates on expanding this coverage, we have proceeded slowly. However, all our master construction planning treats our structures as National Historic Landmarks, and in all instances of modifications to a building over 50 years old, approval is requested from both the District of Columbia Historic Preservation Office and the Advisory Council for Historic Preservation.

COMMUNICATIONS, UTILITIES AND MISCELLANEOUS

Mr. Natcher: The revised 1990 estimate for communications, utilities and miscellaneous charges decreases 21% from the original estimate. How were savings achieved in this area?

General McKee: This reduction is primarily in the electricity account. When the FY 90 budget request was compiled, estimates were made to include the impact of all of the extensive, temporary window unit air-conditioning that was being installed. At the end of FY 89, this estimate was compared to our actual FY 89 expense, and it appeared that this was an area that could be reduced in FY 90 to help offset the absorption of the FY 90 pay increase. However, those savings have not yet been realized. In FY 89 we had a mild summer; should we experience an extremely long, hot summer this year, we could very well see a shortfall in this account. Therefore, we will continue to monitor it carefully.

O&M BUDGETARY NEEDS

Mr. Conte: The Home received almost $39 million for FY 90. Will that be enough money to sufficiently meet the needs of the Home this year?

General McKee: The $39 million is not sufficient to meet the needs

of the Home in FY 90 or FY 91. We are managing only by suppressing our employment level, deferring badly needed maintenance and repairs, deferring equipment purchases, and maintaining shelf stocks at unacceptably low levels. With the combination of these tactics we hope to be able to provide for our absolutely essential needs. However, should we experience an unfinanced emergency of any consequence, we simply could not handle it without a drastic work force furlough. Therefore, we've requested transfer authority not to exceed $375,000 from capital outlay to operations and maintenance.

Mr. Conte: The administration's request of $38.25 million for maintenance and operations of the Home presents a $500 thousand reduction, or 1.3 percent, when compared to the amount available in FY 90. Cost of living is estimated to have increased by 4 percent over the same period. Will the amount requested for FY 91 be sufficient to cover your costs?

General McKee: The $38.25 million is approximately $5 million short of what we require to cover our basic needs in FY 91. The additional $5 million would not accommodate expansion and improvement of current services to members or allow introduction of any new services.

Mr. Conte: How much did you request from OMB for FY 91?

General McKee: Our FY 91 agency request was $44.353 million for operations and maintenance.

Mr. Conte: Could the trust fund support funding the Home at the FY 90 level in FY 91?

General McKee: The unappropriated trust fund balance which is in excess of $160 million can support not only the FY 90 level in FY 91 but can readily support the additional $5 million that we need above what the Administration has allowed us for FY 91.

CAPITAL OUTLAY

Mr. Conte: For FY 91 you are requesting $9.75 million in capital outlay appropriations. How does that figure differ from the amount you requested from OMB?

General McKee: We requested $13.405 million for capital outlay projects.

Mr. Conte: If $9.75 million is appropriated what deferrals will you have to make?

General McKee: We would have to defer $900,000 to furnish and equip the new health care building; $280,000 for rehabilitation of paved surfaces; $225,000 for the Grant Dormitory renovation study; $1,600,000 for the study and design of Pipes Medical Building renovation; and $650,000 for the study and design of Forwood Medical Building renovation.

Mr. Conte: Of these deferrals, which ones will seriously impede the Home's restoration projects and the construction of the new medical

facility?

General McKee: None of these deferrals will seriously impede the Home's restoration projects and the construction of the new medical facility. Of course, the projects are necessary, and every delay increases their cost.

MEDICAL FACILITY

Mr. Conte: What delays have you experienced in contracting for construction of the medical facility?

General McKee: The delays experienced in executing a contract for construction of the new 200-bed facility are attributable to awaiting the results of an OMB directed independent study by HHS.

Mr. Conte: How much will these delays cost?

General McKee: These delays have cost approximately $743,000.

Mr. Conte: Some of the funds were reprogrammed from the heating plant account to help finance the medical facility. Were any of these funds used for the chapel or parking lot?

General McKee: No, they were not. We do not have the funds for the chapel and parking lot.

Mr. Conte: How much do you need for the chapel and parking lot?

General McKee: We need $1,245,000.

FY 90 TRANSFER AUTHORITY REQUEST

Mr. Conte: FY 90 you're requesting transfer authority, not to exceed $375,000 from the capital outlay account to the operation and maintenance account. Why is this necessary? What specifically will it be used for?

General McKee: At the present time our employment level has been reduced to 982 out of 1,037 authorized. If we must reduce it further to 975, our cumulative average for the year, we should have just about enough to allow us to finish the year without having to furlough the work force. However, should we experience a costly unfinanced emergency such as losing a large transformer, we would have no way to provide for this except employee furloughs. Our request is "not to exceed $375,000" and we will not use any of it unless absolutely necessary.

CAPITAL OUTLAY

Mr. Conte: Can the trust fund support your capital outlay request for FY 91?

General McKee: Yes, the trust fund, which has an unappropriated balance is in excess of $160,000,000 and anticipated income of

approximately $50,000,000 in FY 90, can readily support the $9,730,000 FY 91 capital outlay request before you as well as the additional $3,825,000 which we have identified as being needed in FY 91.

FY 91 PROJECTED DEFICITS

Mr. Conte: Please provide a detailed listing of the deficits you are projecting for FY 91 under the budget we're now considering.

General McKee: Our operation and maintenance deficit will consist of supplies $2,053,130; contract services $1,244,691; pharmaceuticals $205,280; equipment $1,327,420; and contingencies and other items $169,479 for a total of $5,000,000. The following table provides the detail of this summarization.

DIRECTORATE	NOMENCLATURE	DEFICIT	
Logistics	Supplies	$1,707,878	
	Repair, Maint, Serv Contracts	311,097	
	Paving-Patching	60,000	
	Cleaning Contract	343,721	
	Grounds Contract	9,145	
	Audit Contract	7,590	
	Painting Contract	263,000	
	Equipment	354,174	
	Training	9,620	
	Total Logistics		$3,066,225
Health Care	Pharmaceuticals	$ 205,280	
	Supplies	259,400	
	Tuition/Training	18,500	
	Equipment	337,520	
	Contract Services	32,000	
	Total Health Care		852,700
Member Services	Transportation	$ 5,000	
	Supplies	48,086	
	Equipment	114,900	
	Total Member Services		167,986
Plans and Programs	Recruiting	$ 17,634	
	Supplies	17,575	
	Contracts	196,938	
	Training	15,505	
	Printing & Reproduction	5,000	
	Equipment	517,826	
	Total Plans & Programs		770,478
Administration	Supplies	$ 20,191	
	Printing & Reproduction	1,608	
	Contracts	21,200	
	Claims	1,794	
	Postage	3,070	
	Equipment	3,000	
	Total Administration		50,863

Contingencies	91,748
Total Deficit	$5,000,000

We have a need for an additional $3,825,000 in capital outlay budget authority for FY 91, as follows: Paved Surfaces - $280,000; Grant Study Design - $225,000; Heating Plant - $800,000; Chapel & Parking Lot - $1,245,000; New Medical Facility Equipment & Furnishings - $900,000; and '90 Transfer Restoration of - $375,000.

FEDERAL PAY AND BENEFIT INCREASES IMPACT

Mr. Conte: What affect have the recent federal pay and benefit increases had on the Home?

General McKee: Without question, the fact that we have been faced with absorbing the various pay and benefit increases over the past three years has adversely affected the Home. We've managed to get by by holding our employment level well below our authorized strength, deferring contractual maintenance, deferring equipment replacements, and maintaining shelf inventories of general supplies, pharmaceuticals and other medical supplies at unacceptably low levels. We cannot continue to rely on and expand these tactics indefinitely.

TRUST FUND

Mr. Conte: Please provide a summary for the trust fund including debits and credits for each of the past 5 years.

General McKee: Changes in unappropriated trust fund balances are reflected in the following table (in thousands of dollars):

YEAR	BEGINNING UNAPPROP BALANCE	APPROP	PAYMENT OF CLAIMS AND ADJUST	INCOME	UNOBLIG BALANCE RETN'D	UNAPPROP ENDING BALANCE
1985	$151,993	$<42,676>		$52,137	$125	$161,579
1986	161,579	<46,310>		52,096	280	167,645
1987	167,645	<50,263>	$<7>	48,086	20	165,481
1988	165,481	<51,322>	<6>	48,078		162,231
1989	162,231	<52,068>		48,804	764	159,731

COST PER MEMBER

Mr. Dwyer: In your budget justification, you state that the Home will serve 1,635 domiciliary and 365 hospital "members" in fiscal year 1991, the same as in fiscal year 1990. Despite the increase in health care costs in general, you anticipate that the average cost per member will decline from $19,372 to $19,124 in fiscal year 1991. To what do you attribute this decline?

General McKee: This decline is attributed to the fact that the administration has approved O&M budget authority for FY 91 which is $496,000 less than our FY 90 appropriation; therefore the calculated cost per member is also less.

NAVAL HOME

Mr. Dwyer: Are the costs at the U.S. Naval Home comparable?

General McKee: We do not have current comparable data concerning the U.S. Naval Home. However, I do recall that calculating Naval Home data for accurate comparison with our data was not practicable in the past because of the variety of support the Naval Home receives which is not within its own O&M budget.

JCAHO ACCREDITATION

Mr. Dwyer: It is my understanding that the King Health Center was granted a three-year accreditation in October 1987 by the Joint Commission on Accreditation of Healthcare Organizations. What are you doing now to insure that the King Center will be accredited again this October?

General McKee: The King Health Center is accredited by the Joint Commission on Accreditation of Healthcare Organizations. Accreditation received is for 3 years. This is the maximum length of accreditation granted. The Home's health care facility has been accredited as a hospital or long-term care facility as long as there has been an accreditation program. The King Health Center was the first, and for many years the only, accredited long-term care facility in the District of Columbia. Continued quality assurance programs, the teaching responsibilities and the affiliations with medical schools and other educational programs, and the high quality staff work to keep the quality of care at the forefront. The staff is confident that the surveyors will again find that our facility meets the standards for full accreditation.

Mr. Dwyer: When the accrediting committee reviews the King Center, will the status of renovations to the intermediate care facility play any role?

General McKee: The Joint Commission surveyors will surely note that the first phase of the program to replace our antiquated facilities is underway. We have previously received conditional or equivalency accreditation with regard to our old buildings which do not conform to current building codes and standards, to include the Life Safety Code of National Fire Protection Association. The quality of care and the quality of life of our patients are directly affected by the old and outdated buildings, which cannot meet statuatory requirements fo. a health care facility as outlined in the Health Care Financing Administration and Health and Human Services regulations. The King Health Center has been able to receive 3-year accreditations since its initiation by the Joint Commission. This was possible only through the outstanding work by our staff in providing particular safety and protective measures, and by providing the Commission with projected documentary evidence that we have a plan

to make significant changes in our physical plant that provides inpatient care.

Attachment 1

APPROPRIATIONS HISTORY
1981 - 1990

YEAR	DESCRIPTION	BUDGET EST TO CONGRESS	HOUSE ALLOWANCE	SENATE ALLOWANCE	CONFERENCE AGREEMENT	SUPPLE-MENTALS	TRANSFER AUTHORITY	ADJUST-MENTS	FINAL APPROP
1981	O&M	20,595	Not Avail	Not Avail	Not Avail	1,829			22,155
1982	O&M	23,825	23,825	23,825	23,825	596			24,421
	C O					953			953
1983	O&M	26,718	26,718	26,718	26,718	341			27,059
1984	O&M	29,524	30,924	30,924	30,924	362			31,286
	C O	1,250	4,550	4,550	4,550				4,550
1985	O&M	32,352	32,352	32,352	32,952	324			33,276
	C O	5,000	9,000	9,400	9,400				9,400
1986	O&M	32,654	33,276	33,506	33,391		1,241	<1,436>	33,196
	C O	4,000	15,000	10,500	15,000		<1,241>	<645>	13,114
1987	O&M	34,022	34,022	34,022	34,022		957		34,979
	C O	4,485	15,000	16,241	16,241		<957>		15,284
1988	O&M	37,080	36,647	38,303	37,475			<1,596>	35,879
	C O	-0-	-0-	16,132	16,132			<687>	15,445
1989	O&M	36,643	37,657	37,700	37,700			<452>	37,248
	C O	13,215	15,000	15,000	15,000			<180>	14,820
1990	O&M	35,573	39,000	39,573	39,287			<542>	38,745
	C O	8,500	8,500	10,250	9,375				9,375

JUSTIFICATION OF ESTIMATES FOR THE U.S. SOLDIERS' AND AIRMEN'S HOME, FY 1991

Operation and maintenance: For operation and maintenance of the United States Soldiers' and Airmen's Home, to be paid from the Soldiers' and Airmen's Home permanent fund, $38,249,000. Provided, That this appropriation shall not be available for the payment of hospitalization of members of the Home in the United States Army Hospitals at rates in excess of those prescribed by the Secretary of the Army upon recommendation of the Board of Commissioners and the Surgeon General of the Army.

Capital outlay: For construction and renovation of the physical plant, to be paid from the Soldiers' and Airmen's Home permanent fund, $9,750,000, to remain available until expended.

24 U.S.C. 41-60; 31 U.S.C. 1321 (a) (59), (81): (Public Law 101-166 Department of Labor, Health and Human Services, and Education, and Related Agencies Appropriation Act, 1990)

	1989 Actual	1990 Estimate	1991 Estimate
MEMBERSHIP:			
Domiciliary	1,550	1,635	1,635
Hospital	368	365	365
Total	1,918	2,000	2,000
EMPLOYMENT:			
Full-time permanent (POS/FTE)	904	955	955
Other than permanent (FTE)	90	82	82
Total	994	1,037	1,037

STANDARD CLASSIFICATION SCHEDULE FOR OBLIGATIONS ($000)

		1989 Actual	1990 Estimate	1991 Estimate	+ or - Estimate
Operation and maintenance:					
11	Personnel compensation	23,496	25,776	26,546	770+
12	Personnel benefits	4,347	4,780	4,918	138+
13	Benefits for former personnel	48	15	15	0
21	Travel and transportation of persons	5	3	3	0
23	Communications, utilities, & miscellaneous charges	1,060	1,050	1,100	50+
24	Printing and reproduction	32	35	35	0
25	Other services	2,646	2,800	2,800	0
26	Supplies and materials	4,978	4,425	2,973	1,452-
31	Equipment	755	0	0	0
42	Insurance claims and indemnities	3	5	3	2-
	Total obligations	37,370	38,889	38,393	496-
	Unobligated withdrawn	2			
	Quarters, subsistence and laundry collections	- 124	- 144	- 144	0
	Budget Authority	37,248	38,745	38,249	496-
Member cost:					
	Average number of members	1,918	2,000	2,000	----
	Average cost per member (In $1's)	$19,420	$19,372	$19,124	248-

STANDARD CLASSIFICATION SCHEDULE FOR OBLIGATIONS ($000)

	1989 Actual	1990 Estimate	1991 Estimate	+ or - Estimate
Capital outlay:				
32 Lands and structures	14,820	9,375	9,750	375+
Budget Authority	14,820	9,375	9,750	375+

EXPLANATION OF VARIANCE BETWEEN FY 1990 AND FY 1991
OPERATION AND MAINTENANCE ESTIMATES BY OBJECT CLASS ($000)

11 Personnel compensation ($770+):

$ 679+ - Effect of the anticipated FY 91 (3.5 percent) pay raise for three quarters of FY 91.

91+ - Career ladder promotions and within grades.

12 Personnel benefits ($138+):

$ 115+ - Increase in benefit cost related to the anticipated FY 91 (3.5 percent) pay raise.

23+ - Increase in benefit cost related to promotions and within grades.

23 Communications, utilities and miscellaneous charges ($50+):

$ 50+ - Anticipated increase in electricity.

26 Supplies and materials ($1,452-):

Decreased to meet increased salary and benefit costs.

42 Insurance claims and indemnities ($2-):

Estimated requirements for FY 90 are more than originally budgeted.

02/05/90

EXPLANATION OF $375 INCREASE IN CAPITAL OUTLAY ($000)

32 Lands and structures ($375+)

The budget authority for FY 1990 is $9,375. The fiscal 1991 request is $9,750. FY 1991 funds are to be used to continue progress on projects included in the Home's Restoration Plan.

JUSTIFICATION OF ESTIMATES FOR THE U.S. SOLDIERS' AND AIRMEN'S HOME, FY 1991

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	Budget Authority	37,248	38,745	38,249	496-
Member cost:					
	Average number of members	1,918	2,000	2,000	----
	Average cost per member (In $1's)	$19,420	$19,372	$19,124	248-

01/26/90

STANDARD CLASSIFICATION SCHEDULE FOR OBLIGATIONS ($000)

	1989 Actual	1990 Estimate	1991 Estimate	+ or - Estimate
Capital outlay:				
32 Lands and structures	14,820	9,375	9,750	375+
Budget Authority	14,820	9,375	9,750	375+

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TUESDAY, APRIL 3, 1990.

FEDERAL MEDIATION AND CONCILIATION SERVICE

WITNESSES

BERNARD E. DeLURY, DIRECTOR
ROBERT P. BAKER, EASTERN REGIONAL DIRECTOR
MARY P. DURKIN, BUDGET OFFICER

OPENING REMARKS

Mr. NATCHER. As soon as everyone is seated, we will just start right in.

Now we take up the budget request for fiscal year 1991 for the Federal Mediation and Conciliation Service. We have before the committee Mr. DeLury. Mr. DeLury, before you give us your statement, tell us who you have with you at the table.

Mr. DELURY. Good morning, Mr. Chairman.

I have Mary Durkin, the Budget Director, and Robert Baker, Eastern Regional Director and Acting Deputy Director.

Mr. NATCHER. We are pleased to have you before the committee. Your entire statement will be placed in the record at this time.

[The information follows:]

Statement by

Bernard E. DeLury, Director

Federal Mediation and Conciliation Service

before the

Labor, Health and Human Services, Education,

and Related Agencies Subcommittee

of the

House Committee on Appropriations

Mr. Chairman and Members of the Subcommittee:

As the newly appointed Director of the Federal Mediation and Conciliation Service (FMCS), I am pleased to appear before this Subcommittee to present the Service's Fiscal Year 1991 appropriation request.

The budget justification materials now before you were prepared and submitted before I became the Service's Director. Since assuming the duties of my office on March 5, I have carefully reviewed the submission and have been briefed by the staff. While I am prepared to testify on this request, I would like to reserve the opportunity to return to this Subcommittee, if after further review, it is determined that such action is necessary.

Mr. Chairman, the Service was established by the Congress in 1947 as an independent agency charged with helping labor

and management settle their disputes. At the time the agency was created, the collective bargaining process was only beginning to expand beyond the traditional issues of wages, hours and conditions of work.

Since 1947 the scope of collective bargaining has spread far beyond those traditional boundaries. Today's negotiations involve issues such as health care for workers and their families, the quality of work life, joint problem-solving procedures meant to increase productivity and profitability, retirement benefits and joint occupational health and safety programs.

The increased span of issues at the bargaining table has produced significant changes in the relationship between labor and management and within FMCS. Specific developments include:

Dispute Mediation

Work stoppages, in decline for most of the 1980's, rose in 1989 and during the first quarter of 1990. While it is not clear that this change constitutes a permanent upward trend in work stoppages, some observers believe that strikes will increase moderately in the 1990's. Issues in collective bargaining will continue to include health care cost containment, compensation packaging, pensions, merit pay, job security and management rights proposals. Total compensation packages

are expected to continue to include wages, fringe benefits, lump sum payments, incentive plans and stock ownership provisions.

FMCS expects to be actively involved in 7,200 dispute mediation cases in Fiscal Year 1991. These cases will be in the electronic manufacturing, coal mining, rubber, trucking, farm implements, construction, utilities, apparel and textile, aerospace, retail food, health care, hotel, shipping and maritime industries.

Preventive Mediation

Preventive Mediation is an essential method of assisting the labor-management parties in avoiding disputes and improving their relationships. It also introduces labor and management to methods of avoiding some of the basic causes of work place strife and provides training in approaches that alter a previously hostile environment. Our work in Preventive Mediation has become more critical in recent years because of stresses placed on the collective bargaining process. Federal mediators will be involved in 1,450 Preventive Mediation cases in Fiscal Year 1991 and will utilize a variety of approaches in problem identification and conflict resolution. Activities will include sponsorship of conferences and seminars, consultation and liaison, creation and expansion of labor-management committees, development of training modules, use of our program

called Relationships-By-Objectives and presentation of three new programs -- Orientation to Labor-Management Initiatives, Partners in Change, and Win-Win Negotiations. These new programs were developed jointly by the Service and the Department of Labor's Bureau of Labor-Management Relations and Cooperative Programs.

Arbitration

Arbitration is used almost universally to resolve labor disputes arising out of the interpretation of collective bargaining agreements. Title II of the Labor-Management Relations Act directs that governmental facilities be made available to promote the use of arbitration. To that end, FMCS has provided, since its inception, lists of experienced, qualified arbitrators to labor and management from which they select individuals to hear and decide disputes. In Fiscal Year 1991 the Service expects to issue 33,000 panels of arbitrators.

Labor-Management Cooperation Program

The Labor-Management Cooperation Act of 1978 authorizes the Service to carry out a program of grants and contracts to support the establishment and operation of plant, area, and industry labor-management committees. In Fiscal Year 1990 the Service expects to award 15 to 17 new grants and 12

extension grants to continue the work of grantees originally funded in Fiscal Year 1988. The Administration believes that labor-management cooperation committees should be funded by the parties involved. Therefore, no funding is requested for new or extension grants in Fiscal Year 1991.

Summary

Federal Mediation and Conciliation Service programs are all designed to improve this country's collective bargaining process. Through Dispute Mediation, our mediators help to avert and minimize work stoppages. Through Preventive Mediation, mediators strive to improve long-term labor-management relationships and through arbitration services our staff assists with improved contract administration.

To meet the demands of the 1990's we must hire and retain the most qualified work force possible, and we must provide our staff with the tools they need to carry out our programs. To accomplish our ambitious objectives, we will need a full-time equivalent (FTE) level of 322 and an appropriation of $26,312,000. I believe that the budget justification before you substantiates this request.

Mr. Chairman, I will be glad to respond to any of your questions.

Mr. DELURY. In the interest of time, I could waive reading the statement and I would be happy to answer your questions.

Mr. NATCHER. That will be fine and that will help us. Mr. DeLury, this is your first time to appear before this committee as Director of the Service. What are some of your personal goals and concerns for the Service?

Mr. DELURY. Mr. Chairman, I have long been an admirer of the Federal Mediation and Conciliation Service. I believe in the mediation process to bring about industrial peace and help management and labor work more closely together to accomplish their own individual goals for their membership and their companies.

My own specific goal, having been in this job for four weeks, is to give number one priority to the settlement of disputes. The Service should not wait to advise when contacted, but it should offer services where, in those instances, we think we can help.

I also give number two priority to preventive mediation services for those unions and industries that have suffered disputes in the past or are likely to have disputes in the future.

And, thirdly, dissemination of public information to let the labor-management community know we are here to assist them.

Fourthly, and not in any particular order of ranking, I would like to have ongoing dialogue and communications with the Congress and with the Administration. I don't plan on sitting behind my door and locking myself out to you, sir, or anyone else. I want to work closely with you to arrive at the goals I have set for the agency.

GREYHOUND BUS STRIKE

Mr. NATCHER. As you know, one of your first challenges was the Greyhound strike. What has been the involvement of the Service in mediating this dispute, and give us the current status, if you will, of the situation.

Mr. DELURY. I would be happy to, sir.

As you know, I was confirmed on March 1 at 8:30 p.m. and the Amalgamated Council of Greyhound Local Unions went out on strike at midnight that evening. I arrived in my office the next morning with several cardboard cartons and my briefcase and immediately got into the situation. The first two days I was on the job I believe, I was working without portfolio—the President had not signed my paperwork, and I won't bill the Administration for those two days' pay.

First, I got the parties on the phone, I called Mr. Currey, Greyhound CEO, and Mr. LaSala who is the International President of the Amalgamated Transit Union. I was briefed over the telephone by both sides. I talked to the case mediator, Ron Collotta, and then I asked the parties if they would meet. They didn't want to meet together at that point in time so I asked if they would meet with me personally and separately.

They agreed to do that. The first group I met with was the union group. We listened to them and their side of the story. Shortly after that, I met with the Greyhound Executive Vice President, Anthony Lannie, and their outside counsel. I appointed Commissioner Paul Stuckenschneider as my special assistant for this dispute, and we arranged for the parties to get together in Tucson.

They did agree to go back into negotiations and the date on that would have been March 9, I believe. That joint session was nonproductive.

There is a lot of media attention on this dispute and both sides are doing the best they can to take advantage of that attention. Unfortunately, contracts are not negotiated in the media.

When those talks broke off, I had them back in, and our last joint meeting was last Thursday. I must say I was somewhat optimistic at that point in time. It was a good meeting, one of the best joint meetings we have had so far. The parties even shook hands before going back into formal joint negotiations, which were supposed to be held yesterday in Tucson.

At my swearing in last Friday, I was handed a message that the company was calling off negotiations because of several instances of "violence" Thursday night.

I was in contact with the parties again yesterday, with Mr. Strait who heads the Amalgamated Council of Greyhound Local Unions. He is willing and able to go back into negotiations at any time.

I talked to a representative of the company last night. I put the question to him, "Are you willing to go back into negotiations any time soon?"

He said, "We are going to stick by the letter we sent on March 30. We are going to look for a period of nonviolence and then we are prepared to sit down to negotiate."

I told the company I would continue to pursue them to do it sooner than next Monday. The whole question of violence is, quite frankly, out of a lot of people's control and, to date, I have not seen—and we had staff talk to the FBI yesterday—any evidence at all that the violence is coming directly from the parties represented by the union.

As you know, sir, these types of strikes attract all kinds of crazy people. I hope they catch whoever is perpetrating acts of violence against company property and passengers. I don't think it does either side any good to have this going on. It certainly frustrates collective bargaining activities to get the people together to come up with a peaceful settlement of their differences. When I get back to the office today, I will continue to pursue it. I just want to get them together in a room again and try to use traditional mediation techniques to see if we can come up with a solution, sir.

EMERGENCY BOARD PROCEDURES

Mr. NATCHER. With respect to railroad and airline disputes, the Railway Labor Act as you know, allows the President to create an emergency board when a dispute threatens to interrupt interstate commerce. Is there similar legislation that applies to other industries?

Mr. DELURY. Yes, sir, the Taft-Hartley Act provides for that, too. To the best of my knowledge, the Taft-Hartley Act has not been used since 1978 with the bituminous coal miners strike that year. The President has initiated emergency procedures on 31 occasions since its passage back in 1947.

PITTSTON COAL STRIKE

Mr. NATCHER. On February 20, 1990 the settlement of the dispute between the United Mine Workers of America and the Pittston Coal Group was announced. Just briefly what involvement did the Service have in the resolution of this dispute?

Mr. DELURY. We had two fine mediators assigned to that case, Joe Kirkham and Don Doherty, my acting special assistant. They were there through thick and thin. I was not officially on board then. I couldn't give any direction to those mediators, but I did receive telephone calls from the mediators informing me of the progress on those talks—two fine, able gentlemen who stayed with the process and helped the special mediator and the Secretary of Labor resolve that dispute.

HEALTH CARE INDUSTRY BARGAINING

Mr. NATCHER. Health care is the only industry where mediation by the Service is mandated. What portion of your resources does this consume, and how has this changed since 1974?

Mr. DELURY. Approximately ten percent of our resources go into the health care industry mediation efforts, sir.

LABOR SHORTAGE

Mr. NATCHER. Secretary Dole, as you know, recently, told this subcommittee that the size of our labor force will not keep pace with the expanding economy. She said that we will be faced with labor shortages. Is this already beginning to contribute to the increase in work stoppages you predict in your opening statement? Has it affected it?

Mr. DELURY. There are some instances, sir. I think one has to look at the labor shortage problems in the long term. I have read some of the Secretary's statements on education and training for the work force, and I am in full agreement with what we all have to do. In fact, I just left the Building Trades Legislative Conference at the Hilton Hotel. I think the youngest people in that room were the Members of Congress. The building trades representatives were more about my age.

Having been an apprentice myself years ago, I would like to see more use of that system of training for skilled labor. I think that system can go a long way to correct some problems we may have later from a collective bargaining standpoint. Right now, that does not appear to be one of the major problems or stumbling blocks in collective bargaining. I think some of the major issues we are facing right now are catch up on the part of some unions to recoup concessions negotiated in the 1980's. Rising health care costs are a predominant issue in collective bargaining, and job security will remain a major issue.

COLLECTIVE BARGAINING OUTLOOK

Mr. NATCHER. Despite an increase in work stoppages, wages appear to be rising more slowly this year. The employment cost index is projected to rise only slightly in 1990. What will this mean to labor bargaining in 1990 and in 1991?

Mr. DELURY. I think, by and large, and I'll use an educated guess here, but I would say somewhere around 90 percent of the collective bargaining agreements so far this year have been within the norm that has been presented by the Bureau of Labor Statistics.

I think both sides of the table, labor and management, are realistic when it comes to wages. There are some industries where the work force has pulled their belt in a little tighter in the 1980's and perhaps they will be the exception to the rule, and they may look for large increases.

Mr. NATCHER. Mr. Conte, I yield to you.

Mr. CONTE. It is a pleasure to have you appear before our subcommittee, Mr. DeLury

The mission of the Service is to prevent disputes that seriously hurt interstate commerce; is that correct?

Mr. DELURY. Yes, sir.

Mr. CONTE. Does that mean you will be getting involved in the big-Bush-broccoli-brouhaha?

Mr. DELURY. I still dislike broccoli and cauliflower from the depression days. It seems you can't go to a restaurant today without getting broccoli. I really like to get carrots and peas from time to time.

MEDIATION SUCCESSES AND FAILURES

Mr. CONTE. What were some of the major mediation successes and failures in fiscal year 1989?

Mr. DELURY. I guess one failure may be the NYNEX dispute in 1989, because the Service was not called into it, but we were called into the Southern New England Telephone dispute, and we consider that a success.

We also consider the negotiations at Boeing, Pittston, and Lockheed as successes.

So far this year, we have resolved the Hawaiian hotel dispute. The Service engaged in good meetings out there, and Commissioner Frank Schoeppel put a lot of time and effort into resolving that one.

LABOR-MANAGEMENT COOPERATION PROGRAM

Mr. CONTE. One of the programs this subcommittee has frequently discussed is the Labor-Management Cooperation Program. How has this program improved labor-management relations?

Mr. DELURY. I have been here only four weeks, Congressman, but from the statistics I have seen so far, the number of grievances has gone down; morale has gone up; productivity in some cases has gone up, too; and, overall, the program seems to be quite effective.

I hope as I am Director longer I will be able to measure these programs in a more quantitative manner.

Mr. CONTE. Would these things have happened if the labor-management program didn't exist?

Mr. DELURY. No, I don't think so. You need that impetus.

Mr. CONTE. Other than this program, what mechanisms have been established to enhance labor-management committees?

Mr. DELURY. Our 222 mediators spend a lot of time in the field, and when they are not participating in mediation efforts, they use

public forums, like I did this morning with the New York State building trades, to get our message for peace across to various groups. I think that technique is most effective.

Mr. CONTE. Why are you not eliciting funds for this program?

Mr. DELURY. I asked the same question, but I was told the Office of Management and Budget wants the parties to fund their own programs.

Mr. CONTE. What criteria has the Service used to evaluate the success of the LMCP grants?

Mr. DELURY. We look to see if grievances have come down, has productivity gone up? Has the company receiving a grant remained in that area? Generally we have been successful, but I think we owe you a more scientific answer. We have a golden opportunity here. We should begin measuring effectiveness when we first give a grant, to start at a base and then measure success as we go along. It is very easy to calculate the number of grievances and the results from these programs and we will do that, too.

Mr. CONTE. Have you justified the grants program to the Office of Management and Budget?

Mr. DELURY. I will have to rely on my budget officer.

Ms. DURKIN. We provided good information and we think we made the best case possible.

Mr. CONTE. How many awards did you make in 1990 and what was the average value?

Mr. DELURY. We have not awarded FY 1990 grants yet, but we expect to issue between 15 and 17, and we expect to extend at least a dozen.

ARBITRATION

Mr. CONTE. Does the Service make referrals for private sector arbitrators?

Mr. DELURY. Yes, sir.

Mr. CONTE. Does this duplicate other services available in the private sector? What would this service cost in the private sector?

Mr. DELURY. That is a good question. The American Arbitration Association provides arbitrators throughout the United States. We budgeted approximately one-half million dollars for arbitration services and we are projecting 33,000 panels for next year.

Ms. DURKIN. That is approximately $17 a panel, but if we were expected to charge the labor-management parties that figure would have to go up for the cost of billing and other associated costs.

Mr. DELURY. I don't encourage charging for that service. The arbitration process can be difficult for labor and management to afford at times, and we want to encourage the use of arbitration as one of the tools to bring about good labor-management relations.

Mr. CONTE. So you don't charge folks in the private sector?

Mr. DELURY. No, sir. We establish panels. We usually give them three lists and, whatever the prevailing rate is, the arbitrator charges the parties.

CURRENT NEGOTIATIONS

Mr. CONTE. What are the biggest issues in the current round of contract negotiations?

Mr. DELURY. Right now, the issues are the traditional ones of wages and fringes. In the fringe benefit area, health care costs and job security on the union side of the table are the major ones. I think, sir, they will probably continue to be the major issues for at least the next year or two.

Mr. CONTE. In 1991, the contracts of several labor groups in Massachusetts are set to expire. This includes: The United Brotherhood of Carpenters and Joiners, the International Brotherhood of Electrical Workers, the Sheet Metal Workers' International Association, and the Retail, Wholesale and Department Store Union.

What will be the key issues in negotiations. Will that be health care?

Mr. DELURY. It will probably be health care, but I would rather not guess. I think the boilerplate issues that I mentioned before are the specific ones. As we get closer to negotiations, we would be happy to keep you apprised of the status on bargaining in all of these industries.

PREVENTIVE MEDIATION

Mr. CONTE. I would appreciate that.

The workload tables in your justification show you closed a large number of preventive mediation cases in 1988 and 1989, almost a 37 percent increase over 1986 and 1987. What caused this increase in the number of cases that were closed?

Mr. DELURY. I think the popularity of the program. The word is getting out that we do offer that service and we have been flooded with requests to provide it.

Mr. CONTE. Are these cases receiving the same quality of service that they received in the past, and do you expect this trend to continue in the future?

Mr. DELURY. Yes, sir. I would like to prioritize them and pick those industries that have disputes and offer preventive mediation after settlement to improve labor-management relations so there will not be a dispute in the future.

WORKLOAD PROJECTIONS

Mr. CONTE. Compared to your actual workload, how accurate have your workload projections been in the last few years?

Mr. DELURY. I will have to defer on that. We will supply that.

[The information follows:]

A review of three types of workload measurements—dispute mediation assignments, joint meeting cases closed (dispute mediation), and preventive mediation cases closed—over the last three fiscal years shows that FMCS workload forecasting is an inexact science. In Fiscal Year 1989 we overestimated one type of workload and underestimated the other two. Similar patterns are found in previous years.

FEDERAL SECTOR MEDIATION

Mr. CONTE. You also provide assistance to Federal employees. How much time do you spend working on the 2,000 labor contracts within the Federal Government? Would you supply that for the record.

Mr. DELURY. Mary tells me it is 13 full-time equivalents. Those contracts come, of course, at different expiration dates.

AUTOMATED DATA PROCESSING

Mr. CONTE. The next question you can supply for the record.

You are requesting less money for ADP equipment rental and more money for ADP development. What accounts for this?

[The information follows:]

Over the last few years FMCS has purchased automated data processing (ADP) hardware and software when such purchases were appropriate and economical. With these purchases in place, our rental costs have decreased. We are now concentrating on refinements to existing ADP systems, such as improvement of our dispute mediation case tracking system.

TRAVEL FUNDS

Mr. CONTE. After removing the costs for LMCP, your travel budget remains the same for fiscal year 1991. Will this be enough money?

Mr. DELURY. I met with the representatives of the OMB and I told them I was going to come forward with a supplemental request for 1990 and for 1991, sir, and we are waiting to hear back from them.

Mr. CONTE. You may have a long wait on the supplemental.

Mr. DELURY. We may have a long wait but the travel budget is a shocker.

Mr. CONTE. Thank you, Mr. Chairman.

SPACE RENTAL COST

Mr. NATCHER. Why is the rental cost of the General Services Administration projected to increase by 11 percent in 1991?

Ms. DURKIN. That is a rate increase. We are not expecting an increase in any appreciable way in square footage. The funds requested for rent are based largely on GSA's estimates. When there is an office move, we use our own estimates.

PERSONNEL BENEFITS

Mr. NATCHER. Why are the civilian personnel benefits projected to increase 17 percent in 1991 when personnel compensation increases by only two percent?

Ms. DURKIN. The biggest increase is under the Federal Employees Retirement System. Under the old retirement system, the Service paid 7 percent for Civil Service Retirement and paid for Medicare. Each new employee goes into the FERS system. It is a big difference in cost.

DISPUTE MEDIATION

Mr. NATCHER. The Service, as you know, receives 70,000 notices of contract expirations each year but assigns fewer than half for dispute mediation. What criteria are used to determine whether or not the Service agrees to provide these services?

Mr. DELURY. Mr. Chairman, first we look for background. Have these industries been troubled before? We actually monitor all these situations. If the field mediator or district director feels the Service is needed, then we offer our assistance and go in. I believe we were involved in 28,000 last year.

FIELD OFFICES

Mr. NATCHER. We understand the Service has mediators who work out of their homes. How and by whom is their performance monitored?

Mr. DELURY. The district director monitors their performance. We have only two such mediators. One is in Salt Lake City, Utah, and the other is in Great Falls, Montana. It is mainly because of the travel distances.

Mr. NATCHER. How many field offices do you have and what is the typical staffing pattern of these offices?

Mr. DELURY. We have 77 field offices including the regional directors' offices, and field personnel amount to 248.

Ms. DURKIN. The average staff of a field station is three.

Mr. NATCHER. We want to thank you and your associates for appearing before our subcommittee at this time on behalf of your budget request for fiscal year 1991. It has been a good hearing. Thank you very much.

Mr. DELURY. Thank you very much.

[Questions and answers for the record and the justifications follow:]

[The following questions were submitted to be answered for the record:]

FMCS WORKLOAD

Mr. Natcher: Your budget shows the number of new mediation cases in 1989 increased 13%. Why is a decrease expected in 1990 and 1991?

Mr. DeLury: While it is true that FMCS expects new dispute mediation assignments to decline slightly in Fiscal Year 1990 and Fiscal Year 1991, the total assignments -- new assignments plus carry-over -- will be very close to the Fiscal Year 1989 figures.

A much more important indicator of FMCS workload is the number of joint meeting cases closed. These cases represent the Service's active caseload, where mediators meet with both labor-management parties to resolve differences. These active cases are expected to increase from 7,085 in Fiscal Year 1989 to 7,100 in Fiscal Year 1990 to 7,200 in Fiscal Year 1991.

Mr. Natcher: The number of mediation conferences conducted decreases each year between 1985 and 1989. Why is an increase projected for 1991?

Mr. DeLury: Mediation conferences conducted are the number of meetings held by mediators throughout the year. These conferences are held when mediators are actively involved in settling labor-management disputes. Because we expect an increase in joint meeting cases closed (our active cases), it is reasonable to expect that the number of meetings or conferences conducted will also increase.

Mr. Natcher: How are mediation cases assigned by the national office to balance regional workloads with geographic and staff expertise considerations?

Mr. DeLury: While notices are received in Washington, DC, they are forwarded to the districts where assignment decisions are made based upon priorities and impact. Workload balance is made within the districts by field office. Annually, the national office surveys the regional workload and adjustments to some field office territories are made to respond to growing or shrinking workloads if personnel additions or subtractions are not the best method to handle such trends.

LABOR-MANAGEMENT COOPERATION PROJECT

Mr. Natcher: Your predecessors told us that continued funding of these projects was a beneficial use of federal funds. Do you agree?

Mr. DeLury: As you know, funds are not requested in Fiscal Year 1991 for the Labor-Management Cooperation Project. As the Service's new Director I am reviewing all FMCS programs. However, based on my experience in the private sector, I would agree with my predecessors that this program is beneficial.

TRAVEL COSTS

Mr. Natcher: Travel costs are projected to decrease 18% between 1989 and 1991. How have you achieved savings in this area?

Mr. DeLury: The decreases in travel that are projected for Fiscal Year 1990 and Fiscal Year 1991 may be very difficult to achieve. The estimated figures reflect a substantial reduction in travel for training seminars, workshops and conferences. A review of all Agency programs is now underway. Reprogramming may be necessary in Fiscal Year 1990, and adjustments may be required in Fiscal Year 1991.

LABOR-MANAGEMENT COOPERATION PROJECT

Mr. Natcher: Provide a five year history table that reflects the funding appropriated for the Labor-Management Cooperation Program, the number of grant applications received, the number of new and continuation grants awarded, and the number that continue through private funding after termination.

Mr. DeLury:

	Appropriation	Applications Received	New Awards	Cont. Grants	Number Continuing after Federal Funding
FY 1985	$1,000,000	71	17	0	14 est.
FY 1986	957,000	60	14	0	12 est.
FY 1987	1,000,000	50	17	0	15
FY 1988	900,000	61	14	12 est.	NA*
FY 1989	1,000,000	62	15	NA*	NA*

* Information not yet available -- still receiving federal funding -- too soon to estimate

Mr. Natcher: Provide a list of the name and location of the Labor-Management Cooperation grants funded in 1988, 1989, and if available, those planned for 1990.

Mr. DeLury: Labor-Management Cooperation grants were issued in Fiscal Year 1988 to:

Worksite Committees

Northwestern Steel and Wire Company, Sterling, Illinois
Rust Engineering Company, Oak Ridge, Tennessee

Industry Committees

International Masonry Institute, Washington, D.C.

Upper Peninsula Construction Labor-Management Council, Escanaba, Michigan
Clothing Manufacturers Association of the United States of America, New York, New York

Public Sector Committees

Hurley Medical Center, Flint, Michigan
Florida Public Sector/Labor/Management Cooperation Committee, Tallahassee, Florida
Greece Central School District, North Greece, New York
City of Eugene, Eugene, Oregon

Area Committees

Baltimore Area Labor-Management Committee, Baltimore, Maryland
Southeast Missouri District Council of Carpenters, Cape Girardeau, Missouri
Gadsden-Etowah County Industrial Development Authority, Gadsden, Alabama
Three Rivers Area Labor Management Committee, Pittsburgh, Pennsylvania
Lamar University System, Beaumont, Texas

Labor-Management Cooperation grants were issued in Fiscal Year 1989 to:

Worksite Committees

Industrial Technology Institute, Ann Arbor, Michigan
Ameritech Publishing/CWA, Troy, Michigan

Industry Committees

International Ladies Garment Workers Union, New York, New York
United Brotherhood of Carpenters and Joiners, Washington, D.C.
Construction Industry Labor-Management Trust, Washington, D.C.
Painters and Allied Trades Labor-Management Cooperation Fund, Washington, D.C.

Public Sector Committees

City of Burlington, Burlington, Vermont
County of Ventura, Ventura, California
Missouri Department of Social Services/CWA, St. Louis, Missouri
Appleton Area School District, Appleton, Wisconsin

Area Committees

York Area Labor-Management Council, York, Pennsylvania
Big Sandy Area Labor-Management Committee, Prestonburg, Kentucky
Des Moines Area Community College, Des Moines, Iowa
University of Southern Indiana, Evansville, Indiana

National Labor-Management Conference

State and Local Government Labor-Management Committee, Washington, D.C.

29-886 O—90——21

The grant selection process for Fiscal Year 1990 is scheduled to begin in May 1990; therefore grantee names are unavailable.

Mr. Natcher: Have any Labor-Management Cooperation grants received more than two years of funding? If yes, please identify how many, and how many years of funding each has received.

Mr. DeLury: To date no grantee has received more than two years of funding.

PREVENTIVE MEDIATION

Mr. Natcher: What portion of your budget and how many of your staff are involved with preventive mediation?

Mr. DeLury: FMCS considers dispute mediation and preventive mediation to be intertwined and complementary. We have one activity called mediation services which includes both dispute mediation and preventive mediation. Therefore, we do not have funding or personnel breakouts for preventive mediation.

We do have travel figures which distinguish between dispute mediation and preventive mediation and those travel figures show that in Fiscal Year 1989, 21% of field travel was for preventive mediation activities.

Mr. Natcher: Did either the Pittston Coal Group or the Greyhound Bus Line parties participate in any preventive mediation conferences, workshops, or seminars sponsored by the Service?

Mr. DeLury: While the Service had invited the Greyhound Bus Line and the Amalgamated Transit Union to avail themselves of our preventive mediation programs, they have always chosen to go their own way. The Pittston Coal Group and the United Mine Workers Union, however, have been regular and active participants in our annual "grievance and arbitration" symposium, which is held in Louisville, Kentucky.

It is important to note, however, that if one party to an agreement decides to set out on a course of action in bargaining which is obviously unpalatable to the other party, preventive mediation programs notwithstanding, a labor dispute is the likely result.

FEDERAL SECTOR BARGAINING

Mr. Natcher: What share of federal employees belong to a union and how does this compare to the non-federal ratio?

Mr. DeLury: Approximately 30% of federal employees who are eligible to be represented in collective bargaining belong to a union. This compares with approximately 18% in the private sector.

EXECUTIVE PAY RAISE

Mr. Natcher: How many employees of the Service will be affected by the pay increase mandated by the Ethics Reform Act of 1989 and are these costs included in the 1991 budget request?

Mr. DeLury: There will be five positions affected by the pay increase mandated under the Ethics Reform Act of 1989 and the FMCS Fiscal Year 1991 appropriation request includes one-half of the funding needed for those pay raises.

MEDIATOR CASELOAD

Mr. Natcher: What is the average caseload per mediator and the average time spent on each case?

Mr. DeLury: The average caseload per mediator in Fiscal Year 1989 was 32 active dispute mediation cases; 6 preventive mediation cases; and 4 public information cases. While no records are kept for average time spent on each case, we do know that active dispute mediation cases average 3.2 meetings each.

STRATEGIC PLAN

Mr. Natcher: The Service completed a Strategic Plan in 1989. What changes does it recommend and how is this affecting operations?

Mr. DeLury: The Plan stresses the need for FMCS to become more proactive to the needs of our clients, and in particular recommends that the Service concentrate on strengthening and improving our services in the long-term aspects of our clients needs -- especially in our focus on relationship-building and problem-solving.

To ensure a unified approach to the delivery of our services, the plan calls for FMCS to integrate, rather than separate, its activities. These include dispute mediation, preventive mediation, arbitration, grievance mediation, and alternative dispute resolution.

As a result of the Plan, FMCS is currently assessing and experimenting with the most efficient ways to ensure the long-term needs of our clients are met through a cohesive, multifaceted, and integrated approach towards strengthening and improving relationships. FMCS has already implemented a number of the proposed recommendations. Increased attention has been given to the development of alternative methods of dispute resolution such as win-win bargaining, preventive mediation and alternative dispute resolution (non-labor related) program support.

CARRY-OVER CASES

Mr. Natcher: Almost 25% of cases received in one fiscal year are still pending at the end of the year. Is this an acceptable level? At what point is a "pending" case considered "backlogged?"

Mr. DeLury: Yes, we consider the carry-over caseload to be at an acceptable level.

The Service does not have a dispute mediation case "backlog." Carry-over cases reflect assignments in process, with negotiations ongoing, at the close of the fiscal year. Carry-over cases are

traditionally completed in the first quarter of the ensuing fiscal year.

NEW YORK DAILY NEWS

Mr. Dwyer: On page 14 of the budget justification, you state that the Service has always undertaken preventive mediation work. These efforts are used to reduce misunderstandings and unproductive conflict. In recent weeks, there has been a good deal of acrimony in New York at the Daily News. Understandably, people are concerned about the potential for a strike, especially in light of recent history. Have you made any attempt or have you been contacted by either party to provide preventive mediation between the various labor unions and the management at the Daily News?

Mr. DeLury: No, we have not. At the Daily News, both the company and the unions have indulged for many years in tough negotiations with each side negotiating from their own power bases. In situations such as this, the parties are not receptive to cooperative efforts, and preventive mediation programs, if undertaken, will usually prove to be unsuccessful.

PERMANENT REPLACEMENT OF WORKERS

Mr. Dwyer: Various labor unions, not only those at the Daily News, have contended that there is a concerted effort by management to break the unions, by causing conditions to deteriorate to such a low level that the unions feel compelled to go on strike. After the strike begins, the corporations then hire permanent replacements and cease negotiations with the unions. Have you seen any evidence that this is the case?

Mr. DeLury: It has been our perception that the use of replacements to continue production and/or services in the event of a strike has been increasing. However, we have no knowledge of whether or not this is as a result of a concerted effort by management.

HEALTH BENEFIT COSTS

Mr. Dwyer: In your budget justification, you state that the increased costs of health benefits have been a growing source of contention between unions and management. What percentage of labor/management disputes involve health benefits packages?

Mr. DeLury: Based on an informal survey of FMCS District Directors late last year, we estimate that in 90% of current bargaining health care costs are an important issue; it is an issue in over 50% of work stoppage cases. Given the continuing increase of health care costs and current resistance by employers to traditional arrangements, we expect that health care costs will become an increasingly important issue in collective bargaining.

Mr. Dwyer: Many unions have opted for salary reductions in lieu of cuts to their medical benefits packages. Does this remain the most common method unions have used to maintain their health benefits?

Mr. DeLury: Salary reduction in lieu of cuts in health care is one of the approaches used by management and unions to maintain health benefit levels. However, other arrangements being used are increased deductibles, introduction of preferred provider arrangements, surrender of cost-of-living adjustments to offset the cost of health benefit premiums, use of health maintenance organizations and various health cost management programs. Both employers and unions are recognizing that cost shifting is not a solution to rising cost trends.

Mr. Dwyer: It is my understanding that some unions, including one in my district, have opted to drop supplemental health benefits for retirees as a concession to corporate demands to reduce health care costs. Have you noticed an increase in this practice in recent years?

Mr. DeLury: While we do not have statistics on the use of reduced health benefits for retirees and cannot provide trend information, it is clear that this initiative is appearing more often at the bargaining table and is the cause of bargaining tensions and difficulties.

Mr. Dwyer: While uninsurance is a problem in this country, some contend that underinsurance appears to be an even larger problem. As unions and companies have sought ways to lower their health care costs, how many may have replaced their benefits packages with less costly, but inadequate alternatives?

Mr. DeLury: The response to this question, requiring comparative analysis of currently negotiated health care arrangements, is beyond the capacity of the FMCS. However, we are aware that national unions are counselling their affiliated member unions to insure that the quality of health care benefits arrangements is not sacrificed when considering various cost reduction alternatives. It is our sense that current quality of health benefits is not being reduced seriously in current rounds of bargaining. This belief is based on the fact that the parties, working cooperatively in four out of five situations, are identifying cost reduction measures which do not depend on a reduction in the quality of benefits. However, if cost reduction pressures increase, as we expect, and the obvious areas of economies are depleted, the matter of reduced benefits for retirees will become a more critical issue.

CONTRACT EXPIRATIONS

Mr. Dwyer: On page 29 of the justification, you begin a listing of selected major contract expirations in Fiscal Year 1991. Have you been in contact with any of the unions and the companies on this list?

Mr. DeLury: Our Service contacts both the union and the company well in advance of the termination date of the collective bargaining agreement. Not only do we monitor every set of negotiations, but we enter such negotiations at the request of one party or both whenever it would be helpful to do so. If history has indicated bargaining problems in a particular situation, we contact the

parties well in advance of their negotiations and discuss ways in which we may be helpful to the parties.

Mr Dwyer: Of the many corporations listed, what percentage will fail to reach an agreement prior to contract expiration?

Mr. DeLury: While it is impossible to forecast future results of bargaining, we can, at least, look at recent history as a guide to what might happen. During the last fiscal year, work stoppages constituted 2.8% of assigned dispute mediation cases. However, strikes beginning during the first quarter of this fiscal year, as compared to strikes beginning during the first quarter of the last fiscal year increased substantially. We expect this level of activity to continue.

PREVENTIVE MEDIATION

Mr. Dwyer: You also list in the justification several preventive mediation techniques -- conferences/seminars, consultation/liaison, and labor-management committees. Are certain techniques more aptly suited to certain industries? Which technique is used the most effectively?

Mr. DeLury: The various preventive mediation techniques are not industry specific, but are used as deemed appropriate on an individual company/union basis. For example, labor-management committees can be utilized in any industry, but before a committee is recommended for a specific company/union the mediator involved must assess whether the organizations involved are sufficiently committed to making the labor-management committee work over the long-term.

Conferences/seminars may be appropriate in a particular situation when the parties are not yet ready to commit to a labor-management committee.

We believe that selective use of any preventive mediation technique is imperative, because a failed effort can result in damage to the labor-management relationship. FMCS relies on the judgment of the individual mediator, his/her supervisor, and appropriate staff to tailor preventive mediation techniques to the needs of the individual parties.

JUSTIFICATION OF THE BUDGET ESTIMATES

FEDERAL MEDIATION AND CONCILIATION SERVICE

BUDGET ESTIMATES -- FISCAL YEAR 1991

TABLE OF CONTENTS

	Page No.
Appropriation Language	1
Budget Tables	2
Statutory and Other Legal Authorities	11
Program Structure	13
Comparative Analysis of Workload	18
Workload Projections, Fiscal Years 1990 and 1991	21
Forecast of FMCS Activity	25
Staffing Requirements	47
Justification for Financial Requirements	48
Cameo Cases	54
International Activities	62
Detail of Permanent Positions	63

FEDERAL MEDIATION AND CONCILIATION SERVICE

SALARIES AND EXPENSES

TITLE III--FEDERAL MEDIATION AND CONCILIATION SERVICE

SALARIES AND EXPENSES

For expenses necessary for the Federal Mediation and Conciliation Service to carry out the functions vested in it by the Labor-Management Relations Act, 1947 (29 U.S.C. 171-180, 182), including expenses of the Labor-Management Panel and boards of inquiry appointed by the President, hire of passenger motor vehicles, and rental of conference rooms in the District of Columbia; and for expenses necessary pursuant to Public Law 93-360 for mandatory mediation in health care industry negotiation disputes and for convening factfinding boards of inquiry appointed by the Director in the health care industry; [and for expenses necessary for the Labor-Management Cooperation Act of 1978 (29 U.S.C. 125a);] and for expenses necessary for the Service to carry out the functions vested in it by the Civil Service Reform Act, Public Law 95-454 (5 U.S.C. chapter 71), [$26,785,000] $26,312,000. (Departments of Labor, Health and Human Services, and Education, and Related Agencies Appropriations Act, 1990.)

AMOUNTS AVAILABLE FOR OBLIGATION

	FY 1990		FY 1991	
	Full-Time Equivalent	Amount	Full-Time Equivalent	Amount
Amount available for obligation.....	325	$26,554,000[1/]	322	$26,312,000

1/ FY 1990 appropriation is $26,785,000. Public Law 99-177 (Gramm-Rudman-Hollings) reduced programs, projects and activities by a total of $231,000. Therefore, budgetary resources for 1990 are $26,554,000.

SUMMARY OF CHANGES

1990 Estimated Obligations	$26,554,000
1991 Estimated Obligations	26,312,000
Net Changes	-$242,000

Increases	Change from Base	
I. Built-in:	Full-Time Equivalent	Amount
Increase in salary costs of 322 full-time equivalents	--	+$515,000
Increase in retirement cost of Federal Employees Retirement System including Thrift Contributions	--	292,000
Increase in health benefits, life insurance, and cost-of-living allowance	--	97,000
Increase in FICA payments	--	132,000
Increase in Employee Compensation payments	--	62,000
Increase in cost of office space	--	281,000
Increase in communications, utilities, and other rent costs, including GSA and commercial communications, postage, and reproduction equipment rental	--	46,000
Increase for health care services, guard services, and support services for ADP development	--	9,000
Increase in subscriptions	--	2,000
Total Increases	--	+$1,436,000

	Full-time Equivalent	Amount
Decreases:		
I. Built-in:		
Decrease in cost of Civil Service Retirement System	--	-$ 65,000
Decrease in Medicare Tax Payments	--	7,000
Decrease in ADP Equipment Rental	--	5,000
Decrease in Office of Personnel Management investigations	--	20,000
II. Program:		
Decrease in personnel compensation, personnel benefits, and related overhead expenses for permanent employees engaged in the Labor-Management Cooperation Program	-3	193,000
Decrease in Labor-Management Cooperation Program grants	--	1,388,000
Total Decreases	- 3	-$ 1,678,000
TOTAL CHANGE	- 3	-$242,000

OBLIGATIONS BY ACTIVITY

	1990		1991		Increase or Decrease	
	Full-Time Equivalent Employment	Amount	Full-Time Equivalent Employment	Amount	Full-Time Equivalent Employment	Amount
1. Dispute Mediation, Preventive Mediation, Public Information and Educational Activities....	253	$20,410,000	253	$21,506,000	--	+$1,096,000
2. Arbitration Services.....	12	522,000	12	550,000	--	+ 28,000
3. Management and Administrative Support.....	57	4,011,000	57	4,226,000	--	+ 215,000
4. Boards and Panels.....	--	30,000	--	30,000	--	--
5. Labor-Management Cooperation Project.....	3	1,581,000	--	--	-3	- 1,581,000
Total Obligations	325	$26,554,000	322	$26,312,000	-3	-$ 242,000

PERSONNEL SUMMARY

	1990	1991	Increase or Decrease
Total number of full-time permanent positions.....	333	330	- 3
Total compensable workyears: full-time equivalent employment.....	325	322	- 3
Average ES salary.....	$81,400	$101,000	+$19,600
Average GS/GM grade.....	12.30	12.34	+.04
Average GS/GM salary.....	$51,088	$53,045	+$1,957

OBLIGATIONS BY OBJECT CLASSIFICATION

Personnel Compensation:	1990	1991	Increase or Decrease
Full-time permanent	$16,518,000	$16,881,000	+$ 363,000
Other than full-time permanent	70,000	72,000	+ 2,000
Other personnel compensation	75,000	75,000	--
Total, personnel compensation	16,663,000	17,028,000	+ 365,000
Personnel benefits: Civilian	2,933,000	3,424,000	+ 491,000
Benefits for former personnel	15,000	15,000	--
Travel and transportation of persons	1,242,000	1,237,000	- 5,000
Transportation of things	11,000	11,000	--
Standard level user charges	2,448,000	2,729,000	+ 281,000
Communications, utilities, and other rents	1,151,000	1,175,000	+ 24,000
Printing and reproduction	37,000	37,000	--
Other services	434,000	422,000	- 12,000
Supplies and materials	157,000	159,000	+ 2,000
Equipment	75,000	75,000	--
Grants, subsidies, and contributions	1,388,000	--	-1,388,000
TOTAL	$26,554,000	$26,312,000	-$ 242,000

SIGNIFICANT ITEMS IN HOUSE AND SENATE APPROPRIATIONS COMMITTEE REPORTS

Item	Action Taken or to be Taken
No specific actions recommended.	

APPROPRIATION HISTORY

	Estimates to Congress	House Allowance	Senate Allowance	Appropriation
1976	18,678,000	18,332,000	18,332,000	18,332,000
Transition Quarter	4,950,000	4,576,000	4,626,000	4,626,000
1977	21,177,000	21,177,000	21,177,000	21,177,000
1978	22,465,000	22,465,000	22,465,000	22,465,000
1979	23,214,000	23,214,000	23,214,000	23,214,000
1980	23,920,000	23,820,000	23,820,000	23,820,000
1981	25,919,000	25,919,000	25,919,000	25,919,000
1982	22,066,000	26,075,000	25,575,000	24,552,000
1983	20,190,000	21,721,000	21,321,000	22,015,000
1984	21,558,000	23,258,000	22,097,000	23,258,000
1985	22,685,000	23,845,000	23,885,000	23,845,000
1986	22,768,000	23,394,000	23,394,000	22,388,000
1987	23,220,000	22,656,000	24,390,000	23,892,000
1988	24,920,000	25,601,000	25,601,000	24,270,000[1/]
1989	24,937,000	26,127,000	24,937,000	25,813,000[2/]
1990	25,190,000	26,380,000	27,190,000	26,554,000[3/]
1991	26,312,000			

APPROPRIATION HISTORY FOOTNOTES

1/ Reflects a reduction in the appropriation for travel and transportation of $240,000 pursuant to Section 512 of the Departments of Labor, Health and Human Services, and Education, and Related Agencies Appropriations Act, 1988, as found in P.L. 100-202.

2/ Reflects a reduction in the appropriation of 1.2 percent or $314,000 in all programs, projects and activities pursuant to Section 517 of the Departments of Labor, Health and Human Services, and Education, and Related Agencies Appropriations Act, 1989, as found in P.L. 100-436.

3/ Reflects a reduction in the appropriation of $231,000 in programs, projects and activities pursuant to P.L. 99-177 (Gramm-Rudman-Hollings).

FEDERAL MEDIATION AND CONCILIATION SERVICE

BUDGET ESTIMATES FOR FISCAL YEAR 1991

SALARIES AND EXPENSES, FEDERAL MEDIATION AND CONCILIATION SERVICE (FMCS), STATUTORY AND OTHER LEGAL AUTHORITIES

The mission of the Service is to prevent and to minimize labor-management disputes having a significant impact on interstate commerce or national defense throughout the Nation, both in the private and public sectors of the economy, excepting in the railroad and airline industries. In particular, the agency objective is to prevent work stoppages and to reduce their duration when they occur. Statutory and other authorities which authorize the agency programs are:

I. The Labor-Management Relations Act of 1947 (LMRA-The Taft-Hartley Act) (Title II) (29 U.S.C. Sec. 183) directs the Service to prevent or minimize interruptions of the free flow of commerce growing out of labor disputes by helping the parties settle such disputes through mediation. Section 8(d) of the Act (29 U.S.C. Section 158(d)) requires the parties to notify the Service 30 days prior to a contract termination or modification date so that mediation services may be proffered. The Taft-Hartley Act transferred all mediation and conciliation functions of the Secretary of Labor and the U.S. Conciliation Service to FMCS.

Section 206 establishes a special procedure for threatened or actual strikes which in the opinion of the President imperil the national health or safety. In such a situation, the President may appoint a board of inquiry to ascertain the facts with respect to the dispute. After receipt of the report, the President may seek to enjoin the strike for not more than 80 days upon a showing that the threatened or actual strike affects a substantial part or all of an industry and would imperil the national health or safety.

II. The Health Care Amendments of 1974 (Public Law 93-360) (amending the National Labor Relations Act) include special responsibilities to prevent or minimize work stoppages in the health care industry. In the case of this industry, FMCS must be notified 60 days before the termination date. A 30-day notice is required in initial bargaining situations. If, in the opinion of the Director, a strike is threatened which would interrupt the delivery of health care in the locality, the Director may appoint a board of inquiry (29 U.S.C. Section 213). The board has 15 days within which to operate and file its report and recommendations; the parties must maintain the status quo for 15 days thereafter while further negotiations and mediation take place. The parties are required by Section 8(d)(C) to cooperate in any mediation efforts by FMCS.

III. The Civil Service Reform Act of 1978 (Public Law 95-454) (Title VII, 5 U.S.C. Section 7119) directs the Service to provide mediation assistance in disputes arising from negotiations between Federal agencies and the exclusive representatives of their employees.

IV. The Postal Reorganization Act of 1970 (Public Law 91-375, 39 U.S.C. Section 1207) requires the Service to establish fact-finding panels and arbitration boards if disputes between the Postal Service and the exclusive representatives of its employees are not resolved prior to certain statutory deadlines.

V. Executive Order 11374, dated October 11, 1967, transferred the responsibilities of the Missile Sites Labor Commission (created by Executive Order 10946) to FMCS.

VI. The Federal Insecticide, Fungicide and Rodenticide Act of 1978 (Public Law 95-396, 7 U.S.C. 136) requires the Service to provide for the appointment of arbitrators to decide disputes concerning compensation for the use or development of pesticide registration data.

VII. The Labor-Management Cooperation Act of 1978 (Public Law 95-524) amended Section 302 of the Labor Management Relations Act and authorizes the Service to provide grant funds and otherwise encourage labor-management cooperation.

PROGRAM STRUCTURE

I. Mediation Services

A. Dispute Mediation

Dispute mediation is the process through which the Service provides assistance, when needed, in the negotiation or renegotiation of collective bargaining agreements. It is the function in support of which the Service has historically expended the majority of its resources. That will continue to be the case.

1. Private Sector. Dispute mediation in the private sector is provided, when needed, in the negotiation or renegotiation of collective bargaining contracts in order to minimize the interruption of the free flow of commerce or a potential adverse impact on the national defense.

2. Public Sector. Dispute mediation in the public sector is comprised of federal sector bargaining and state and local sector bargaining. In the Federal Sector, the Service is responsible for providing mediation and conciliation facilities to federal agencies and labor organizations in the resolution of negotiation disputes.

   In the State and Local Sectors, the Service:

   Encourages development of independent dispute resolution capability by state, county, and municipal governments.

   Provides on request direct mediation assistance in order to aid in the resolution of significant disputes involving state and local jurisdictions.

3. Health Care Industry. The Service, under responsibilities defined in Public Law 93-360, provides assistance in dispute mediation in the negotiation or renegotiation of collective bargaining contracts involving health care institutions.

The Service is also responsible for discretionary use of the board-of-inquiry procedures in health care industry disputes when a work stoppage may interfere with the delivery of health care services to the particular community. Such procedure requires findings of fact and recommendations within a statutory limitation of 15 days. This requirement, that the Director of the Service should consider the use of a board of inquiry in each health care dispute, implies that the Service must enter every health care dispute. As a result, these are the only cases involving mandatory mediation for which the Service has jurisdiction.

B. Preventive Mediation

Since its inception, the Service always has undertaken preventive mediation work. These efforts consist of processes used to assist labor and management in reducing misunderstandings and non-productive conflict, and to improve communications and problem-solving techniques.

Preventive mediation addresses two key elements of the FMCS Mission Statement:

> Promoting the development of sound and stable labor-management relationships; and
>
> Fostering constructive joint relationships of labor and management leaders to increase their mutual understanding and ability to resolve common problems.

The objectives are to create a working relationship conducive to the peaceful settlement of labor agreements at the time of contract expiration, to provide means for effective administration of the agreement during its term, and to develop effective structures for dealing with matters which impact on labor-management relationships. Thus, preventive mediation can be likened to preventive medicine in the health care area or to preventive maintenance in technical fields.

Federal mediators utilize a variety of approaches in diagnosing problem situations and recommending courses of action. The Service has a number of structured processes which mediators are qualified to recommend and employ. In most specific situations, however, there is a high degree of "tailoring" of these processes to fit the unique characteristics of the parties and their current relationships.

Once the problem has been diagnosed and an appropriate preventive approach has been defined, the mediator makes a recommendation to his supervisor, the District Director, specifying the names of the parties, the nature of the problem, his recommendation as to preventive mediation steps, and the anticipated resource requirements for activation of the recommendation. The District Director then makes a decision as to whether or not to proceed with the work. If the decision is not to proceed, the mediator and the District Director may elect to suggest that the parties consider contacting a consultant or other outside resource to assist them.

The collective bargaining process is undergoing changes brought about in part by forces outside itself. Practitioners in the field increasingly are seeking assistance in creating and managing these changes. Because field mediators are active participants, as well as close observers of these changes, they are sought out by other collective bargaining professionals as sources of information and guidance.

C. Public Information and Educational Activities

Mediators participate in public information and educational activities each year. Through university lectures and participation in seminars and conferences, the labor-management community and the general public gain understanding of the uses of mediation, arbitration, collective bargaining, and the services offered by FMCS. These activities consume only a minor part of the agency's resources.

II. Arbitration Services

National labor policy favors the settlement of questions of application or interpretation of collective bargaining agreements by arbitration, since it is far less disruptive than work stoppages and faster and less costly than litigation.

Approximately 98 percent of collective bargaining agreements contain grievance procedures culminating in binding arbitration. The parties voluntarily agree to resolve their dispute by arbitration, determine the method of selecting the arbitrator, and themselves pay the arbitrator's fees. Many thousands of other labor-management relationships, particularly in the public sector, utilize advisory arbitration or fact-finders to aid in dispute resolution.

Pursuant to Title II of the Labor-Management Relations Act (LMRA), the Service maintains a roster of approximately 1,700 private arbitrators who are qualified to hear and decide labor questions. The Service provides to the parties names of qualified arbitrators, selected by appropriate geographic area, experience in particular industries, relevant education, and familiarity with particular contract issues, together with their biographical data and fee schedules. Maintaining and policing the roster to ensure accuracy of the data and the availability and acceptability of its members is an ongoing task. Approximately two percent of FMCS resources are devoted to Arbitration Services.

The Service, under Public Law 93-360, is given special responsibilities in assisting in the resolution of disputes in the health care industry. Those responsibilities include, in certain circumstances, the power to appoint boards of inquiry to investigate the issues involved in the dispute and issue a written report, including findings of fact. Persons appointed to boards of inquiry are private arbitrators normally selected from the Division of Arbitration Services roster and specially qualified to perform those duties.

The Service, as part of its mandate under Title II of LMRA, has the responsibility to improve the quality and availability of arbitration services. The Service holds continuing education workshops for new and established arbitrators. In order to maximize the effectiveness of the programs and minimize cost and duplication, most programs are held cooperatively with other groups, such as bar associations, the National Academy of Arbitrators, and Industrial Relations Research Association Chapters.

III. Management and Administrative Support

This program provides for overall management and administration, policy planning, research and evaluation, direction, coordination, legal advice, and employee development.

IV. Boards and Panels

Provision is made for ad hoc employment of labor relations experts, individually or in panels, in support of the mediation function, and for boards of inquiry appointed by the President in emergency disputes.

Public Law 93-360 also amended Title II of the Labor-Management Relations Act, 1947, by adding a new Section 213 which provides that the FMCS may appoint an impartial board of inquiry to look into the facts of a contract dispute involving health care institutions and to publicly report its findings and recommendations to the parties.

V. Labor-Management Cooperation Project

The Labor-Management Cooperation Act of 1978 (29 U.S.C. 125a) authorizes the Service to carry out this program of contracts and grants to support the establishment and operation of plant, area, and industry labor-management committees. No funds are requested for this program in 1991.

COMPARATIVE ANALYSIS OF WORKLOAD

A comparison of Service workload activities is shown in the following statistical data tabulations:

TABLE A

Shows a summary of dispute mediation workload over the past five fiscal years.

TABLE B

Shows a summary of preventive mediation and public information and educational activities workload over the past five fiscal years.

TABLE C

Shows a five-year summary of the Service's arbitration activity.

COMPARISON OF MEDIATION SERVICES WORKLOAD
FISCAL YEARS 1985 - 1989

TABLE A

	1985	1986	1987	1988	1989
I. Number of Mediation Cases					
In process, start of year	6,221	5,674	6,125	5,607	5,277
Assigned during year	25,761	25,913	23,775	25,014	28,239
Total	31,982	31,587	29,900	30,621	33,516
In process, end of year	-5,674	-6,125	-5,607	-5,277	-6,486
Total cases closed	26,308	25,462	24,293	25,344	27,030
II. Type of Mediation Activity					
Joint conference cases	8,019	8,200	7,620	7,289	7,085
Separate conference cases	14,717*	155	116	117	145
No conference cases		15,799	15,158	16,215	17,057
Consolidated cases (after assignment)	3,572	1,308	1,399	1,723	2,743
Total cases closed	26,308	25,462	24,293	25,344	27,030
III. Total Number of Meetings Conducted	25,236	26,119	23,946	22,676	22,378

*Information on Separate Conference cases and No Conference cases was not recorded separately.

TABLE B

COMPARISON OF PREVENTIVE MEDIATION AND PUBLIC INFORMATION AND EDUCATIONAL PROGRAM WORKLOAD
FISCAL YEARS 1985 - 1989

	1985	1986	1987	1988	1989
Total Preventive Mediation Cases Closed	960	895	981	1,308	1,368
Total Public Information and Educational Activities Cases Closed	822	721	826	860	821

TABLE C

COMPARISON OF ARBITRATION SERVICES PROGRAM WORKLOAD
FISCAL YEARS 1985 - 1989

	1985	1986	1987	1988	1989
Number of requests for panels received	31,222	31,515	29,325	27,551	27,213
Number of panels issued*	33,390	32,935	31,764	30,422	32,663
Number of arbitrators appointed	10,891	10,638	10,111	9,652	11,371

*Frequently labor-management parties request a second or third panel for arbitration cases, resulting in an increase in the number of panels issued over the number of requests received.

WORKLOAD PROJECTIONS FISCAL YEARS 1990 and 1991

The Service develops its Dispute Mediation workload projections by using:

- The average actual workload in terms of dispute case assignments for the three preceding fiscal years (1987 - 1989) and recent trends in dispute notices.
- An added increment of case assignments arising from new National Labor Relations Board (NLRB) and Federal Labor Relations Authority (FLRA) bargaining certifications.
- The level of contracts scheduled to expire in the public and private sectors.

Since Preventive Mediation and Public Information and Educational Activities do not emanate from our customary source, contract expiration notices, the Service uses the expertise of its staff to project workload figures. Each year field managers estimate this workload based on their knowledge of the collective bargaining process, the need of the labor-management parties to adjust to the economic climate in their area, and our managers' perception of union demands and strength on such issues as job security and health/welfare benefits.

1. Dispute Mediation

The Service, under provisions of the Labor-Management Relations Act, 1947, receives notice from a party of the desire to terminate or amend an expiring collective bargaining contract. Approximately 70,000 such notices are received each year.

The NLRB and FLRA provide the Service with copies of new bargaining certifications. In 1989, a total of 1,701 NLRB and FLRA certifications were received. Such certifications are initial contract situations in which mediation is especially important and somewhat involved because of the absence of a prior bargaining relationship between the parties.

The notices of contract expiration, along with new NLRB and FLRA certifications, form the basis for case assignments. In processing notifications, the Service screens out those cases having a relatively insignificant impact on interstate commerce or national defense, those where adequate mediation resources are available outside FMCS, and those not within the jurisdiction of the agency. The Service consolidates many other related notices into single assignments. Thus, in 1989, 28,239 dispute case assignments were made.

II. Preventive Mediation

The purpose of preventive mediation is to reduce or prevent conflict, to improve labor-management relations and to promote the understanding and implementation of responsible collective bargaining procedures. Its application includes training, education, consultation, and problem-solving activities with representatives of labor and management, other neutrals in dispute resolution, professional associations, and academic institutions. National and international economic conditions, pressures from foreign competition, and the changing nature of the work force, are some of the impacts on the collective bargaining process which create the need for the parties to move from a strictly adversarial posture to a more cooperative relationship. This restructuring of long-standing attitudes is a function of preventive mediation.

In 1989, mediators closed 1,368 preventive mediation cases. FMCS mediators are expected to be involved in more than 1,400 preventive mediation cases in 1990 and 1,450 cases in 1991.

III. Public Information and Educational Activities

Part of the mediator's job is to participate in the dialogue of his/her profession and to help explain the collective bargaining and mediation processes. Public information and educational activities help labor and management and the public to understand the obligations, pressures, and responsibilities involved in col-

lective bargaining and serve to enhance labor peace and industrial stability. In 1989, mediators closed 821 public information and educational activities cases. Public information and educational activities are projected at 825 cases for both 1990 and 1991.

IV. Arbitration Services

Arbitration continues to be the most widely-used means of peacefully resolving questions involving interpretation and application of collective bargaining agreements. Arbitration also plays a role in reaching agreements, termed "interest arbitration," particularly in the public sector. Use of other, related arbitration services such as appointment of boards of inquiry in the health care industry, appointment of fact-finders, and assistance in establishing permanent panels for large labor-management groups also continues.

The Service provided 32,663 panels during 1989. In both 1990 and 1991 FMCS expects to issue 33,000 panels.

The tabulation that follows shows the workload projections for FMCS activities.

WORKLOAD PROJECTIONS
FISCAL YEARS 1990 AND 1991

	Actual FY 1987	Actual FY 1988	Actual FY 1989	Estimated FY 1990	Estimated FY 1991
I. Dispute Mediation					
A. Dispute case assignments in process during the fiscal year	29,900	30,621	33,516	33,486	33,986
B. Joint meeting cases closed	7,620	7,289	7,085	7,100	7,200
C. Percentage of joint meeting cases closed as compared to total assignments in process during the year	25.5%	23.8%	21.1%	21.2%	21.2%
II. Preventive Mediation					
Total cases closed	981	1,308	1,368	1,400	1,450
III. Public Information and Educational Activities					
Total cases closed	826	860	821	825	825
IV. Arbitration Services					
Number of panels submitted to the parties	31,764	30,422	32,663	33,000	33,000

FORECAST OF FMCS ACTIVITY

FISCAL YEAR 1991

I. DISPUTE MEDIATION

In 1991 there will be major contracts expiring in the electronic manufacturing, coal mining, rubber, trucking, farm implements, construction, utilities, apparel and textile, aerospace, retail food, hotel, health care, shipping and maritime industries. Strikes in these industries and other smaller, but no less essential ones, could jeopardize the economy.

Collective Bargaining Developments

Major work stoppages, in decline during most of the 1980's, rose in 1989. It is not clear if this change constitutes a permanent upward trend in work stoppages although some observers believe strikes will increase moderately during the early 1990's. Issues in collective bargaining will include health care cost containment, compensation packaging, pensions, merit pay and management rights proposals. Two-tier pay systems, introduced earlier as a means of reducing compensation costs, are expected to decline, while changes in cost-of-living provisions will depend on actual increases in the Consumer Price Index. Total compensation packages are expected to continue to include lump sum payments, incentive plans and stock ownership provisions.

Job security, always a fundamental issue for union negotiators, will remain a major issue because of economic and other pressures.

Health care cost containment and retirement programs will be important bargaining issues. Control of mounting costs of health care premiums and sharing of health care costs between employers and workers will be critical issues at the bargaining table. Because health care costs are among the fastest growing expenses for employers, efforts to stabilize and reduce

these costs will produce employer proposals of co-insurance, higher deductibles, coverage changes and managed programs. There may be resistance by unions to lower levels of coverage or increased cost to workers. While this issue may figure in work stoppages, it is also likely that many labor and management negotiators will engage in joint problem-solving to address these issues, since the source of this problem is, for the most part, beyond their immediate control.

A selected listing of major contracts expiring in 1991, along with the unions involved, the number of workers involved, the expiration dates and a union key, follows this section.

Health Care Industry Bargaining

The private health care industry has grown to become one of the largest in the U.S. economy, employing close to five million persons working among 7,000 hospitals and 25,000 nursing homes and related facilities in all states. This total excludes both employees of federal, state, and municipal health care institutions and those engaged in producing pharmaceuticals and health care equipment. Nationwide, medical care expenses account for 11% of the gross national product.

In 1974, Public Law 93-360 amended the National Labor Relations Act and brought private nonprofit hospitals under the jurisdiction of the National Labor Relations Board and the Federal Mediation and Conciliation Service. These amendments gave FMCS a major role in promoting collective bargaining and the peaceful resolution of disputes in the industry and provided for a number of dispute resolution measures applicable to health care facilities. These include early notification of the intent to terminate or modify a contract, mandatory mediation, possible appointment of a board of inquiry or fact-finder, and a ten-day strike notice.

Health care is the only industry under FMCS jurisdiction where mediation is legislatively mandated. Health care mediation is unique in that it is the only Service activity in which the Director can unilaterally institute a board of inquiry or fact-finding procedure.

Public Sector: Federal, State, and Local Bargaining

The Civil Service Reform Act of 1978 provides for collective bargaining and mediation assistance for federal employees. The mandate of FMCS is "the Service shall provide services and assistance to agencies and exclusive representatives in the resolution of negotiation impasses, and shall determine under what circumstances and in what manner it shall provide services and assistance."

There are about 2,000 labor-management contracts in the federal government. FMCS provides mediation assistance when these contracts expire, as well as when there is midterm bargaining or bargaining over the "impact and implementation" ("I and I" bargaining) of management changes.

FMCS mediators work with the parties for resolution of all such deadlocks and provide training programs, conferences, and consultations to improve the labor-management climate. More than half of all federal sector disputes are fully resolved at the mediation stage. The remaining issues are often reduced in number before they go to the Federal Service Impasse Panel (FSIP) for final resolution. The FSIP, in turn, may decide to issue a decision, refer the matter to arbitration, or return the case for further bargaining/mediation.

Federal sector bargaining issues have included smoking policies, day care, performance appraisals, ground rules for bargaining and preparation, use of materials, and health and safety issues.

Mediation of state and local labor disputes is handled by state mediation agencies where such agencies are provided. Where this service is not available, FMCS provides the necessary coverage. FMCS serves as an active member of the Association of Labor Relations Agencies (ALRA) which is made up of all state and federal services and acts as a clearinghouse for ideas and conferences.

The policy of FMCS is to promote good collective bargaining practices and to encourage state and local governments to establish their own capabilities. In that area, FMCS provides

training and conferences for the parties and agencies. Nevertheless, we expect that a degree of FMCS assistance will continue in the foreseeable future.

In addition to Dispute Mediation, FMCS provides Preventive Mediation assistance in the public sector, which includes promotion of labor-management committees in state and local areas and creation of joint problem-solving initiatives.

FISCAL YEAR 1991
SELECTED MAJOR CONTRACT EXPIRATIONS

Employer	Union	Location	Number of Employees in Bargaining Unit
	October 1990		
Contractors (various)	CJA	New Mexico	2,500
Ecusta Paper	UPIU	North Carolina	1,200
Kaiser Aluminum & Chemical	USA	National	5,400
CF & I Steel Corp.	USA	Mountain States	1,300
Allied-Bendix Aerospace	IAM	Kansas City, MO	3,300
Rockwell International	USA	Golden, CO	2,400
TRW	Indep.	Cleveland, OH	1,200
Hughes Aircraft	IAM	Tucson, AZ	2,200
Consolidated Gas	SEIU	West Virginia	1,500
Tennessee Valley Authority	Various	Knoxville, TN	12,000
Duke Power	IBEW	Charlotte, NC	2,200
Retail Food (various)	UFCW	National	8,500
Building Operators	SEIU	Philadelphia	2,500
Elevator Industries	IBEW	New York	2,800
	November 1990		
Pineapple EES	ILWU (I)	Hawaii	3,700
Martin Marietta Aerospace	UAW	National	6,000
General Dynamics	IAM, OPEIU	Fort Worth, TX	12,500
Shipping Assns. (various)	ILA	National	74,000
Carolina Tel & Tel	CWA	North Carolina	2,000
Private Sanitation	IBT	New York	1,600
Kings Markets	UFCW	Northern New Jersey	1,800
Chicago Buildings (various)	SEIU	Chicago, IL	7,500
N.Y. Laundry Operators	ACTWU	New York	6,000
Associated Press	Newspaper Guild	National	1,400
Major Honolulu Hospitals	HNA	Hawaii	1,800
	December 1990		
Contractors (various)	Various	West Virginia	8,000
Electrical Contractors (various)	IBEW	PA, OR	3,500

Employer	Union	Location	Number of Employees in Bargaining Unit
Dan River	UTWA	Danville, VA	5,000
N.Y. Lamp Shade Mfgrs.	IBEW	New York	1,500
Pan Am World Airways	ALPA	National	1,500
Northern States Power	IBEW	California	6,200
Pacific Gas & Electric	IBEW	California	13,000
Southern Cal. Edison	IBEW	California	6,200
N.Y. Oil Heating Assn.	IBT	New York	1,700
Ill. Assn. of Health Care Fac.	SEIU	Chicago, IL	4,500
Kaiser Permanente	CNA	Northern California	6,200
St. Luke's Roosevelt Hospital	NYSNA	New York	1,500
January 1991			
Eureka-National Union Electric Corp.	IAM	Illinois	1,250
Milton Bradley	RWDSU	Massachusetts	1,500
Northern Ill. Gas	IBEW	Illinois	1,800
Filene's Dept. Store	UFCW	New England	3,800
So. California Food Employers	UFCW	California	1,700
Florida Supermarkets	UFCW	Miami, FL	1,500
Montefiore Medical Center	NYSNA	New York	1,700
February 1991			
Bituminous Coal Operators Assn.	UMW	National	38,000
Anheuser Busch	IBT	National	9,000
USX Corp.	USA	National	22,000
Kelsey Hayes	UAW	Miami, FL	1,000
Central Tel (Florida)	IBEW	Florida	1,900
Health Employers (various)	SEIU	Mpls., St. Paul, MN	4,000
March 1991			
Contractors (various)	CJA, LIUNA, IBT, IUOE	CT, IL, NY	28,000
Natl. Fire Sprinkler Assn.	PPF	National	7,800
Banquet Foods	various	National	3,300

Employer	Union	Location	Number of Employees in Bargaining Unit
Bibb Company	ACTWU	North Carolina	3,500
Weyerhauser	IWA	Various	2,000
Chevron	IUPIW	California	1,400
Newport News Shipbuilding	USA	Virginia	16,600
McDonnell Douglas	UAW	National	13,000
Mazda Motors	UAW	Michigan	2,000
Jewelry Mfgrs. Assn.	SEIU	New York	1,400
Various Cartage	IBT, UTU	National	29,000
Cincinnati Gas & Electric	Indep.	Cincinnati, OH	1,200
Commonwealth Edison	IBEW	Chicago, IL	11,000
So. California Gas	Various	California	6,200
Bloomingdale Brothers	RWDSU	New York	4,000
Menswear Retailers, N.Y.	RWDSU	New York	3,000
Presbyterian Hospital	NYSNA	New York	1,500
April 1991			
Contractors (various)	CJA, LIUNA, IUOE, IBT	Various	52,500
Electrical Contractors (various)	IBEW	NY, MN, OH	4,000
Employers Bricklayers Assn.	BAC	Philadelphia, PA	1,500
Mechanical Contractors	PPF	Ohio	1,450
Plumbing Contractors	PPF	Ohio	1,100
AGRIPAC	IBT	Oregon	4,400
Merck and Company	Various	Mid-Atlantic	4,000
No. American Rayon	UTWA	Tennessee	1,300
Union Carbide	MTC	Texas	1,000
Firestone Tire	URW	National	5,000
Uniroyal	URW	National	6,400
Goodyear	URW	National	15,500
Norris Industries	UAW	California	1,800
GTE Communications	Various, CWA	IL, IN	3,000
Hawaii Tel	IBEW	Hawaii	3,000
Metropolitan Edison	IBEW	Pennsylvania	1,800
Cincinnati Gas & Electric	IBEW	Ohio	1,700
People's Gas Light	SEIU	Illinois	1,500
Retail Food (various)	UFCW, IBT	National	9,000
Hospital Service & Medical Plan	OPEIU	New Jersey	2,400
Realty Advisory Board	SEIU	New York	30,000

Employer	Union	Location	Number of Employees in Bargaining Unit
	May 1991		
Contractors (various)	LIUNA, CJA, IUOE	National	87,000
Electrical Contractors (various)	IBEW	CA, WA, WI	7,000
Mid-South Erectors Assn.	BSOIW	National	1,750
Campbell Soup	IBT	California	1,800
American Tobacco	BCTWU	North Carolina	1,100
Apparel (various)	ILGWU	National	88,000
Boise Cascade	Various	National	2,100
Chicago Lithographers	GCIU	Illinois	1,200
E.R. Squibb	OCAW	New Jersey	1,300
PPG Industries	IAM	Louisiana	1,100
American Standard	GPPAW	National	1,300
Stanley Works	IAM	Connecticut	1,500
Carrier	SMW	Tennessee	1,450
Magnavox	AIW	Indiana	1,100
AVCO	UAW	Connecticut	2,000
Natl. Auto Transporters	IBT	National	20,000
Garment Industry Trucking	ILGWU	Mid-Atlantic	1,400
Potomac Electric Power	IBEW	D.C.	3,300
Public Service Company	IBEW	Indiana	1,800
ND Employees & Distribution Assn.	Various	California	25,000
First National Stores	UFCW	Connecticut	3,600
Carr's Quality Centers	UFCW	Alaska	1,000
Star Markets	UFCW	New England	1,200
Seattle Area Hospital Council	WSNA	Washington	4,000
	June 1991		
Contractors (various)	LIUNA, IUOE, CJA, PPF, PAT	PA, KY, NV, NY, CA	20,000
California Processors	IBT	California	20,000
Belt Assn. & Mfgrs.	ILGWU	New York	1,000
Woodworkers Mfg.	CJA	New York	1,000
Georgia Pacific	UPIU	Arkansas	1,000
Nekoosa Edwards Paper	UPIU	Wisconsin	1,300

Employer	Union	Location	Number of Employees in Bargaining Unit
Met. Lithographers Assn.	GCIU	New York	3,000
Johnson & Johnson	ACTWU	New Jersey	1,300
Plastic, Metal, Products Mfgrs.	ILGWU	New York	4,000
General Electric	Various	National	69,000
Howmet Corporation	UAW	Michigan	2,700
Freightliner Corporation	Various	Oregon	1,600
General Dynamics	UAW	National	6,000
New United Motor Mfgrs.	UAW	California	2,100
Pan Am Ground Services	TWU	National	6,000
General Tel	CWA	Kentucky	1,200
General Hudson Gas & Electric	IBEW	New York	1,000
New York Electric & Gas	IBEW	New York	2,900
East Ohio Gas	SEIU	Ohio	1,800
Illinois Power	IBEW	Illinois	2,700
Retail Food	UFCW	TX, New England, NY	30,000
Chicago Auto Trade Assn.	IAM	Illinois	2,300
Women's Apparel Stores	ILGWU	New York	3,000
Milwaukee Hotels	HERE	Wisconsin	1,100
Hospitals (various)	CNA, HHCE, RWDSU	CA, WA, NY	7,500
July 1991			
Contractors (various)	CJA	Massachusetts	4,000
Roofing Contractors	SMW	Massachusetts	1,250
Dried Fruit Independents	ILWU	California	1,000
Bowaters Southern Paper	Various	Tennessee	1,200
Armstrong Tire	URW	National	2,000
American Standard	IAM	Wisconsin	1,400
Ford Electronics	IUE	Indiana	2,500
Rockwell International Automotive	UAW	National	1,900
A.O. Smith	AFL-CIO	Wisconsin	3,200
McDonnell Douglas Helicopter	CJA	Louisiana	1,100
Pennsylvania Power & Gas	IBEW	Pennsylvania	5,000
Columbus & So. Ohio Electric	IBEW	Ohio	1,200
Laclede	OCAW	Missouri	1,500
Bradlees Mercantile	UFCW	New England	4,800

Employer	Union	Location	Number of Employees in Bargaining Unit
	August 1991		
Contractors (various)	PPF, PAT, IBEW	Various	12,000
San Francisco Dress	ILGWU	California	2,000
Koret	ILGWU	California	2,000
Meade	UPIU	Ohio	1,300
Minn. Mining & Mfg.	OCAW	Minnesota	1,300
Westinghouse	Various	National	15,000
Raytheon	IBEW	Massachusetts	10,500
Eagle Electric	UAW	New York	1,500
GTE Sylvania	Various	National	2,300
BATH Iron Works	IUMSW	Maine	5,700
Jacksonville Shipyards	BBF	Florida	1,100
Loral	UAW	Ohio	1,400
General Dynamics	IAM	California	2,200
General Tel	IBEW	Michigan	1,900
Retail Food (various)	UFCW	Various	6,000
	September 1991		
Contractors (various)	BSOIW	Maryland	1,800
Assn. Underground Contractors	LIUNA	Michigan	2,500
Electrical Contractors	IBEW	Arizona	1,000
Kelly Springfield	URW	Texas	1,100
Florsheim	Various	National	3,200
Lukens	USA	Pennsylvania	1,400
Caterpillar	UAW	National	18,000
Deere	UAW	National	13,500
Thompson Electronics	IUE	National	1,100
Phillips	IBEW	Ohio	1,700
Unisys	IUE	New York	1,400
Bowman Transportation	USA	Georgia	1,900
Retail Food	UFCW, IBT	Various	31,500
Builders International	SEIU	New York	2,400
Universal Studios	OPEIU	California	1,000
Washington Hospital Center	DCNA	Washington, DC	1,250

UNION KEY

ACTWU	-	Amalgamated Clothing and Textile Workers Union
AIW	-	Allied Industrial Workers
ALPA	-	Air Line Pilots Association
BAC	-	Bricklayers and Allied Crafts, International Union of
BBF	-	Boilermakers, Iron Shipbuilders, Blacksmiths, Forgers and Helpers, International Brotherhood of
BCTWU	-	Bakery, Confectionery and Tobacco Workers Union
BSOIW	-	Bridge, Structural and Ornamental Ironworkers, International Association of
CJA	-	Carpenters and Joiners of America, United Brotherhood of
CNA	-	California Nurses Association
CWA	-	Communications Workers of America
DCNA	-	D.C. Nurses Association
GCIU	-	Graphic Communications International Union
GPPAW	-	Glass, Pottery, Plastics and Allied Workers
HERE	-	Hotel Employees and Restaurant Employees International Union
HHCE	-	Hospital and Health Care Employees
HNA	-	Hawaii Nurses Association
IAM	-	International Association of Machinists and Aerospace Workers
IBEW	-	International Brotherhood of Electrical Workers
IBT	-	International Brotherhood of Teamsters, Chauffeurs, Warehousemen and Helpers of America
ILA	-	International Longshoremen's Association
ILGWU	-	International Ladies' Garment Workers' Union
ILWU	-	International Longshoremen's and Warehousemen's Union
IUE	-	International Union of Electronic, Electrical, Technical, Salaried and Machine and Furniture Workers
IUMSW	-	International Union of Marine and Shipbuilding Workers
IUOE	-	International Union of Operating Engineers
IUPIW	-	International Union of Petroleum and Industrial Workers
IWA	-	International Woodworkers of America

LIUNA	-	Laborers' International Union of North America
MTC	-	Metal Trades Council
NYSNA	-	N.Y. State Nurses Association
OCAW	-	Oil, Chemical and Atomic Workers International Union
OPEIU	-	Office and Professional Employees International Union
PAT	-	Painters and Allied Trades of the United States and Canada, International Brotherhood of
PPF	-	Plumbing and Pipe Fitting Industry of the United States and Canada, United Association of Journeymen and Apprentices
RWDSU	-	Retail, Wholesale and Department Store Union
SEIU	-	Service Employees' International Union
SMW	-	Sheet Metal Workers' International Association
TWU	-	Transport Workers Union of America
UAW	-	United Automobile, Aerospace and Agricultural Implement Workers of America
UFCW	-	United Food and Commercial Workers International Union
UMW	-	United Mine Workers of America
UPIU	-	United Paperworkers International Union
URW	-	United Rubber, Cork, Linoleum and Plastic Workers of America
USA	-	United Steelworkers of America
UTU	-	United Transportation Union
UTWA	-	United Textile Workers of America
WSNA	-	Washington State Nurses Association

II. PREVENTIVE MEDIATION

Preventive mediation is dedicated to assisting the parties in avoiding disputes and improving their labor-management relationships. This has become increasingly necessary in recent years due to the stresses placed on the collective bargaining system by both external and internal forces. Examples of external forces are merger/acquisitions, international economic pressures, and competitive pressures for market share. Internal forces include changing technology, productivity issues, changes of leadership, and the changing nature of the work force.

Federal mediators utilize a variey of approaches in problem identification and conflict resolution. The objective is to create working relationships conducive to peaceful settlement of labor agreements at the time of contract expiration, to provide the means for effective administration of contracts during the life of the agreements and to assist in developing a structure for dealing with those matters which impact on labor-management relationships. Preventive mediation is used to promote sound and stable labor-management relations and to foster joint relationships that increase mutual understanding and ability to resolve common problems.

Many of the Service's more recent Preventive Mediation efforts have been developed with the assistance of the Department of Labor's Bureau of Labor Management Relations and Cooperative Programs. Specific activities include:

Conferences/Seminars

In the rapidly changing, dynamic industrial arena the need for change and improvement is essential to keep pace with technology and the economy. Effective devices for disseminating information to promote this growth are conferences, workshops, and seminars. FMCS works with a variety of local groups to cosponsor programs to improve labor-management relationships. The subject matter covers collective bargaining, contract administration, labor-management cooperation, quality of work life, grievances and arbitration, and other subjects of current interest. Presentations include development of skills,

exposure of success stories, new or improved techniques, and general information. These sessions are open to both labor and management representatives.

Consultation/Liaison

Parties to an agreement often are confronted with special problems during the contract term which are best treated with the assistance of a trusted third-party neutral. Mediators' broad scope of experience and constant participation in the collective bargaining process qualify them as important sources on which the parties can rely.

These preventive mediation meetings may involve chairing special subcommittees established during contract negotiations to deal with issues which would have delayed settlement or even become strike issues at contract expiration. Others may deal with questions arising during the administration period of the contract where it is helpful to have a credible and acceptable mediator who is familiar with the parties and their negotiations to provide counsel, analysis, and recommendations. Still others are aimed at bridging attitudinal barriers or clearing away some underbrush prior to contract negotiations.

Labor-Management Committees

Labor-Management Committees have three different structures: in-plant, industry, or area committees. In-plant committees are formed within a single industrial or government organization setting and deal principally with internal issues involving labor and management. Members of these committees cover all non-contract and non-bargaining elements of the relationship, such as general business climate, product development, product quality, productivity, absenteeism, health and safety, employee participation programs, and a wide spectrum of subject matter which impinges on the relationship between the parties. This open communication channel and joint problem-solving activity tend to promote less stressful contract bargaining at renewal time. These committees exist in every industry and in companies of every size.

Many government agencies, as well as private industry, are finding labor-management committees useful devices for alleviating stress between the parties which would otherwise develop into

serious adversarial confrontations, as well as for providing problem-solving and developmental processes that strengthen their relationships.

Training Modules

Training takes a variety of forms and flows from every other FMCS activity including Dispute Mediation. These activities are tailored by the mediator and may be single sessions to deal with a specific group or issue, or may be multi-sessions covering a broader spectrum of need. The goal of these programs is to alleviate stress within the employee/employer relationship, develop a basis for mutual respect and trust, improve communications and problem-solving skills, and enhance the relationship between the parties.

This training is carried out by individual mediators or by teams of mediators who use current classroom techniques common to adult education programs. Some specific major training programs are highlighted below.

Labor-Management Initiatives

Orientation to Labor-Management Initiatives (OLMI) highlights the core concepts that drive cooperative labor-management relationships. Small groups of union and management practitioners focus on the methods and techniques of organizational change. This one-day workshop includes:

- o A brief overview of the Nation's current economic climate and other factors driving change;
- o A look at how work and work relationships traditionally have been organized;
- o A video tape presentation highlighting the characteristics and values critical to successful joint labor-management efforts in six American companies;
- o Application of key elements of these six successful enterprises to a case study.

OLMI invites practitioners to weigh the implications of organizational change so that they can approach the future with greater insight.

Partners in Change

For organizations that have moved toward cooperative labor-management relationships, the Partners in Change program (PIC) allows them to explore their full partnership potential.

During this 2 1/2-day seminar, union and management decision-makers identify the process that will carry forward their commitment. Activities include:

- o Development of brainstorming and consensus-building skills;
- o Examination of the present work culture and its interrelated systems;
- o Review of the elements of various change strategies;
- o Relating these strategies to specific interests and problems in their organization.

Using PIC as a guideline, labor and management decison-makers from a single organization can begin the process of change based on trust, team-building, mutual goal-setting, and a joint vision of the future.

Win-Win Negotiations

This training program is meant to help individual parties to a collective bargaining agreement who wish to significantly modify the manner in which they reach their agreement. The training is done in advance of the negotiations and the parties are taught to refocus their thinking about their bargaining styles. The training is done jointly and teaches new approaches to reaching settlements: (1) the parties are taught to focus on their interests rather than their positions (looking at the why - not the what); (2) the parties

are encouraged to sit down to discuss the similarities in their interests and then to brainstorm avenues that may provide outcomes acceptable to both.

Where the parties are open to a new approach to a formerly adversarial model, this program has signficantly altered the entire labor-managegment relationship.

Relations by Objectives (RBO)

This is a closely-structured program applied when a relationship has deteriorated to an unacceptable level. This may be reflected by an abnormal incidence of grievance activity, grievances being pursued to upper steps of the procedure and/or arbitration, wildcat strikes, low productivity or quality levels, equipment sabotage, and a variety of other expressions of morale and attitudinal problems.

Because the RBO program requires firm commitment and participation of upper-level management and union personnel (the decision-makers) and because its intended use is for relationships in serious trouble, it is less frequently applied than other elements of FMCS Preventive Mediation activities.

III. PUBLIC INFORMATION AND EDUCATIONAL ACTIVITIES

The purpose of public information and educational activities of FMCS is to advance the national policy of collective bargaining. These activities promote the wider acceptance and proper use of the collective bargaining process and third-party assistance in the prevention and settlement of labor-management disputes. In turn, this process advances the theory that collective bargaining and mediation, when effectively applied, help achieve labor peace.

Mediators engage in public information and educational activities through lectures at educational institutions, through participation in public and private sector seminars and conferences, and through their availability to the media. These activities help the labor-management community and the general public gain a better understanding of the uses of dispute mediation, preventive mediation, arbitration, and collective bargaining.

IV. ARBITRATION SERVICES

Arbitration is used almost universally to resolve labor disputes arising out of the interpretation of collective bargaining agreements. In addition, arbitration is increasingly used as a substitute for strikes or as a method of resolving impasses in contract negotiations, particularly in the public sector. Arbitration is favored by national labor policy; Title II of the Labor-Management Relations Act directs that governmental facilities be made available to facilitate the use of arbitration.

Since its inception, FMCS has provided on request to labor and management lists of experienced, qualified arbitrators from which parties may select a person to hear and decide disputes.

FMCS also provides assistance to parties in setting up improved alternatives to case-by-case selection of arbitrators. FMCS provides assistance to parties on names, procedures, and contract language for permanent umpires or panels for expedited and regular arbitration. FMCS assistance in this area increased during 1989 and this demand for assistance is expected to continue in both 1990 and 1991.

Under Public Law 93-360, the FMCS establishes boards of inquiry for health care industry disputes. A board of inquiry is usually appointed from the FMCS roster and the administration of a board's term of office has been delegated to the Office of Arbitration Services.

Under the Civil Service Reform Act of 1978, arbitration is the principal avenue available to redress grievances of federal employees. It is anticipated that the FMCS activity in federal sector arbitration will continue to increase.

V. MANAGEMENT AND ADMINISTRATIVE SUPPORT

FMCS provides policy development, coordination of services, budgeting, financial management, personnel management, training, automated information systems and overall management of the agency through its national headquarters. These services are critical to the accomplishment of the mission of the agency. The following efforts have been undertaken in 1989 and will be continuing in 1990 and 1991.

FMCS completed its initial Strategic Plan in early 1989. The plan is a blueprint for programs and activities of the Service which are needed by American workers and employers given the changes affecting the free collective bargaining process, and it was developed with extensive employee and management involvement. The Office of Mission Support is responsible for monitoring the implementation of the plan.

Activities which support the Strategic Plan are underway. These include updating mediator skills in the delivery of new programs developed by FMCS or jointly developed with the Department of Labor.

A National Seminar for all mediators was held in April 1989 to provide workshops and discussions of new techniques and issues in collective bargaining. Field administrative and clerical employees were brought together in May 1989 for training in recent enhancements to the computerized case administration system and new developments within government rules and regulations which affect their work.

Training in small group facilitation skills was conducted for 80 mediators who work with labor-management committees. The Service hired and trained 19 new mediators. These new mediators attended four formal training programs in addition to their extensive on-the-job training.

The National Office also provided logistical and technical support in a number of major Preventive Mediation programs initiated by field mediators. This support included the production of new desk top publishing materials, advanced training for preventive mediation coordinators and actual delivery of presentations to the parties.

During the next two years FMCS will continue to review many of its support and administrative activities (including recruitment, hiring, training, reporting, and evaluation), to determine how to more effectively support the work of the agency in a manner consistent with the long-range Strategic Plan.

VI. LABOR-MANAGEMENT COOPERATION PROGRAM

FMCS will award 15 to 17 new grants in FY 1990 to help with the establishment or expansion of labor-management committees in area, plant, industry and public sector categories. In addition, approximately 12 of the FY 1988 grantees will be awarded extension grants. No funds for this program are requested for FY 1991.

STAFFING REQUIREMENTS

FISCAL YEAR 1991

The budget request for Fiscal Year 1991 includes a total of 322 full-time equivalent employment--a decrease of 3 from the authorized Fiscal Year 1990 level of 325.

A distribution of the full-time equivalent employment for Fiscal Year 1991 is as follows:

National Office Staff	73
Field Staff	249
Total Full-Time Equivalent Employment	322

The following table shows a distribution of full-time equivalent employment by activity:

Activity	
Mediation Services, Preventive Mediation and Public Information/ Educational Activities	253
Arbitration Services	12
Management and Administrative Support	57
Total Full-Time Equivalent Employment	322

JUSTIFICATION FOR FINANCIAL REQUIREMENTS

FISCAL YEAR 1991

Expected obligations for Fiscal Year 1991 are $26,312,000.

	FY 1990	FY 1991	Change
Total Obligations	$26,554,000	$26,312,000	-$ 242,000

A distribution by object classification is as follows:

OBJECT CLASSIFICATION

	FY 1990	FY 1991	Change
Personnel Compensation:			
Full-time Permanent	$16,518,000	$16,881,000	+$363,000
Other than Full-time Permanent	70,000	72,000	+ 2,000
Other Personnel Compensation	75,000	75,000	--
Total Personnel Compensation	16,663,000	17,028,000	+ 365,000
Personnel Benefits	2,933,000	3,424,000	+ 491,000
Benefits for Former Personnel	15,000	15,000	--
Travel and Transportation of Persons	1,242,000	1,237,000	- 5,000
Transportation of Things	11,000	11,000	--
Standard Level User Charges	2,448,000	2,729,000	+ 281,000
Communications, Utilities, and Other Rents	1,151,000	1,175,000	+ 24,000
Printing and Reproduction	37,000	37,000	--
Other Services	434,000	422,000	- 12,000
Supplies and Materials	157,000	159,000	+ 2,000
Equipment	75,000	75,000	--
Grants, Subsidies, and Contributions	1,388,000	--	-1,388,000
TOTAL OBLIGATIONS	$26,554,000	$26,312,000	-$ 242,000

Personnel Compensation--$17,028,000

	FY 1990	FY 1991	Change
Full-time Permanent	$16,518,000	$16,881,000	+$ 363,000
Other than Full-time Permanent	70,000	72,000	+ 2,000
Other Personnel Compensation	75,000	75,000	--
TOTAL	$16,663,000	$17,028,000	+$ 365,000

The $17,028,000 requested in 1991 for Personnel Compensation reflects the following: (1) $16,881,000 in personnel compensation for full-time permanent employees; (2) $67,000 for compensation of part-time permanent and temporary administrative/clerical employees; (3) $5,000 for compensation of members of Boards and Panels; (4) $70,000 for incentive awards, Merit Pay awards, and SES rank and performance awards; and (5) $5,000 for compensation of overtime.

Personnel Benefits--$3,424,000

	FY 1990	FY 1991	Change
Retirement, CSRS	$ 938,000	$ 873,000	-$ 65,000
Retirement, FERS	366,000	582,000	+ 216,000
FERS Thrift	93,000	169,000	+ 76,000
Life Insurance	39,000	42,000	+ 3,000
Health Benefits	586,000	679,000	+ 93,000
FICA Taxes	206,000	338,000	+ 132,000
Employee Compensation Payments	518,000	580,000	+ 62,000
Cost-of-Living Allowance	14,000	15,000	+ 1,000
Medicare Tax	152,000	145,000	- 7,000
Boards & Panels Benefits	1,000	1,000	--
Labor-Management Cooperation Project (LMCP) Benefits	20,000	--	- 20,000
TOTAL	$2,933,000	$3,424,000	$+491,000

The $3,424,000 requested in 1991 for Personnel Benefits includes: (1) $873,000 for payments to the Civil Service Retirement System; (2) $582,000 for payments to the Federal Employees Retirement System; (3) $169,000 for thrift plan contributions under the Federal Employees Retirement System; (4) $721,000 for life and health insurance payments for

employees who elect to receive such coverage; (5) $338,000 for FICA payments; (6) $580,000 for compensation payments made to FMCS employees (and/or their spouses) involved in work-related accidents or injuries; (7) $15,000 for the cost-of-living adjustment for the mediator stationed in Hawaii; (8) $145,000 for Medicare payments; and (9) $1,000 for benefits paid to members of Boards and Panels.

Benefits for Former Personnel--$15,000

	FY 1990	FY 1991	Change
Unemployment Compensation Payments	$ 15,000	$ 15,000	--

The $15,000 requested is for Unemployment Compensation payments to former employees.

Travel and Transportation of Persons--$1,237,000

	FY 1990	FY 1991	Change
National Office Assignments	$40,000	$40,000	--
Field Station Assignments	1,100,000	1,100,000	--
Training Seminars, Workshops and Conferences	95,000	95,000	--
Boards and Panels	2,000	2,000	--
LMCP	5,000	--	-$ 5,000
TOTAL	$1,242,000	$1,237,000	-$ 5,000

The $1,237,000 requested for Travel and Transportation of Persons includes: (1) $40,000 for travel performed by national office staff; (2) $1,100,000 for field travel--primarily for Dispute Mediation, Preventive Mediation and Public Information and Educational Activities; (3) $95,000 for training seminars, workshops and conferences; and (4) $2,000 for travel expenses for Boards and Panels members.

Transportation of Things--$11,000

	FY 1990	FY 1991	Change
Transportation of Household Goods	$10,000	$10,000	--
Miscellaneous Transportation Costs	1,000	1,000	--
TOTAL	$11,000	$11,000	--

The $11,000 requested for FY 1991 for Transportation of Things includes: (1) $10,000 for transportation of household goods connected with official station transfers expected in FY 1991; and (2) $1,000 for miscellaneous transportation expenses.

Rents, Communications, and Utilities--$3,904,000

	FY 1990	FY 1991	Change
Communications			
FTS System	$395,000	$395,000	--
GSA Service	245,000	260,000	+ 15,000
Commercial Telephone	180,000	195,000	+ 15,000
Postage	149,000	160,000	+ 11,000
Telegrams & Misc. Comms.	4,000	4,000	--
LMCP	17,000	--	- 17,000
TOTAL COMMUNICATIONS	$990,000	$1,014,000	+$ 24,000
Rentals			
Office Space	$2,448,000	$2,729,000	+$281,000
ADP Equipment	75,000	70,000	- 5,000
Reproduction and Miscellaneous Equipment	74,000	79,000	+ 5,000
Boards and Panels	2,000	2,000	--
Conference Room	5,000	5,000	--
Passenger Motor Vehicle	5,000	5,000	--
TOTAL RENTALS	$2,609,000	$2,890,000	+$281,000
TOTAL RENTS, COMMUNICATIONS, AND UTILITIES	$ 3,599,000	$3,904,000	+$305,000

Communications--The $1,014,000 requested in FY 1991 for Communications and Utilities includes: (1) $850,000 for FTS, GSA Service, and commercial system charges; (2) $160,000 for postage; and (3) $4,000 for telegrams and miscellaneous communications used in critical negotiations.

Rentals--The $2,890,000 requested in FY 1991 for Rentals includes: (1) $2,729,000 for office space; (2) $70,000 for automated data processing equipment; (3) $79,000 for reproduction and miscellaneous equipment; (4) $5,000 for motor vehicle; (5) $5,000 for conference rooms used during certain negotiations; and (6) $2,000 for Boards and Panels expenses.

Printing and Reproduction--$37,000

	FY 1990	FY 1991	Change
Annual Report	$ 4,000	$ 4,000	--
FMCS Forms & Other Printing	33,000	33,000	--
TOTAL	$37,000	$37,000	--

The $37,000 requested in FY 1991 for Printing and Reproduction includes: (1) $4,000 for the Service's Annual Report; and (2) $33,000 for agency forms and miscellaneous printing.

Other Services--$422,000

	FY 1990	FY 1991	Change
Professional Development and Training	$ 14,000	$14,000	--
Maintenance of ADP Equipment	100,000	100,000	--
Support Services for ADP Development	115,000	117,000	+$ 2,000
Office Repairs, Alterations and Maintenance	20,000	20,000	--
OPM Investigations	25,000	5,000	- 20,000
Health Care Services	26,000	28,000	+ 2,000
Maintenance of Office Machines and Equipment	19,500	19,500	--
Boards and Panels	20,000	20,000	--
Official Representation Fund	2,500	2,500	--
Guard Services	73,000	78,000	+ 5,000
Other Contractual Services	10,000	10,000	--
Moving Expenses	8,000	8,000	--
LMCP	1,000	--	- 1,000
TOTAL	$434,000	$422,000	-$ 12,000

The $422,000 requested for FY 1991 for Other Services includes: (1) $14,000 for professional development and training; (2) $217,000 for regular ADP operations and for operations of the Payroll/Personnel system; (3) $20,000 for office repairs,

alterations and maintenance; (4) $5,000 for Office of Personnel Management investigations of employees hired to fill sensitive positions; (5) $28,000 for health care services--HHS health unit fees; (6) $19,500 for maintenance of office machines; (7) $20,000 for Boards and Panels expenses; (8) $2,500 for official representation expenses; (9) $78,000 for Guard Services; (10) $8,000 for moving expenses; and (11) $10,000 for other contractual services.

Supplies and Materials--$159,000

	FY 1990	FY 1991	Change
Supplies and Materials	$90,000	$ 90,000	--
ADP Supplies	45,000	45,000	--
Subscriptions	22,000	24,000	+ 2,000
TOTAL	$157,000	$159,000	+$ 2,000

The $159,000 requested in FY 1991 for Supplies and Materials includes: (1) $90,000 for regular supplies and materials; (2) $45,000 for ADP supplies; and (3) $24,000 for subscriptions.

Equipment--$75,000

	FY 1990	FY 1991	Change
Furniture, Fixtures and Office Equipment	$ 20,000	$ 20,000	--
ADP Equipment	50,000	50,000	--
Audio-Visual Equipment and Training Films	5,000	5,000	--
TOTAL	$ 75,000	$ 75,000	--

The $75,000 requested in FY 1991 for Equipment includes: (1) $20,000 for furniture, fixtures, and office equipment; (2) $50,000 for ADP Equipment; and (3) $5,000 for audio-visual equipment.

Grants, Subsidies, and Contributions

	FY 1990	FY 1991	Change
Grants, Subsidies, and Contributions	$1,388,000	--	-$1,388,000

CAMEO CASES

FMCS is in the business of problem-solving. Working in the field of labor-management relations, the dual goals of the Service are to assist the parties in reaching timely, mutually acceptable resolution of differences in negotiations and to aid them in establishing peaceful and productive relationships.

The Service has been aware for many years of a difficult dimension of its work, that of measurement of the benefits of its various mediation activities, especially the more successful efforts of the field mediators in difficult situations. For the past several years, the Service has focused on this problem by identifying examples of mediation activity in which the involvement of FMCS has made a measurable contribution.

The means of identifying and documenting these exemplary case activities is through Cameo Cases. These cases demonstrate the benefits derived from active mediation involvement in difficult and potentially serious disputes or troubled relationships between labor and management.

In the past, Cameo Cases have included examples of both dispute mediation and preventive mediation. Cameo Cases are offered as examples of the effectiveness and importance of FMCS intervention in labor-management situations all over the United States.

NABISCO BRANDS AND THE BAKERY, CONFECTIONARY AND TOBACCO WORKERS INTERNATIONAL UNION

Embarking on an Historic Labor-Management Cooperative Effort

The Beginnings: Mutual Recognition of a Need to Change

In February 1987, members of management from the Cookie and Biscuit Division of Nabisco Brands USA met with representatives of the Bakery, Confectionary and Tobacco Workers International Union (BCTWU) in Grenelefe, Florida in a jointly sponsored conference.

This conference was considered historic because both labor and management agreed to meet in a non-adversarial forum to identify and address problems facing the company and the union. In the past, the relationship had followed the traditional approach with negotiations concerning lunch pail issues and management rights, but recent events had created an intolerable strain on the bargaining relationship.

At this juncture the parties needed to begin the process of change in order to respond rapidly to marketplace demands and competition. More specifically, there was a need to reinvest great sums of money in capital equipment (plant and equipment could no longer keep pace with production demands) and to analyze work practices with an eye to changing or eliminating those practices that interfered with productivity. Labor and management expressed a willingness to look at innovative approaches to solving these productivity problems. The union, which represents 9,000 employees in nine locations throughout the United States, was more than a willing partner in this effort. It recognized that change would impact on the job security of its membership.

The Federal Mediation and Conciliation Service (FMCS) participated in this conference to present a Nationwide picture of companies and unions which had failed to change with disastrous results and to provide several examples of companies and unions which had managed the process of change to the benefit of both and in the process had strengthened their collective bargaining relationships.

Also in attendance at this conference was Stephen Schlossberg, Deputy Under Secretary for Labor Management Relations, U.S. Department of Labor and John Stepp, Assistant Deputy Under Secretary of Labor. The message they brought to the meeting dealt with change--looking ahead at improved labor-management cooperation and increasing productivity. What productivity means, in this country and all over the world, is the ticket to a better standard of living, to a better life.

After Grenelefe

The outgrowth of the first meeting was the launching of several FMCS training programs in Nabisco bakeries. These programs were successful. Because of the acceptability of FMCS mediators, there was a reduced level of concern and anxiety about the involvement of "outsiders" in the Nabisco-BCTWU labor relations arena.

Although the company and the union had agreed to a second labor-management conference, it was a conceptual agreement with a lot of "what ifs, how comes and whys." Meetings between the mediators in the New York District of FMCS, International officers of the union and key company representatives overcame this uneasiness and set the stage for agenda preparation. Nabisco and union executives have publicly stated that the neutral role of the Service was essential to the success of their process. The Service representatives were particularly attuned to the "political sensitivity" of the agenda preparation. The agenda was a joint union-company function--not an easy task, but FMCS facilitated the agreement with eyes focused on the end result and not on how the parties got there.

FMCS had to change some of its practices, as well, in order to accommodate a client with locations all across the United States. Both management and union officials credit the Service's ability to work with one coordination source, in this instance the FMCS New York District office, to plan an agenda using FMCS resources in those areas in which plants were located across the country, as essential to the success of the program. The normal jurisdictional boundaries of the agency were adjusted to provide maximum flexibility.

FMCS worked to carefully tailor follow-up programs to the needs of the parties, keeping in mind the framework of successful labor-mangement efforts in which it had participated. The ultimate design of the agenda was a blueprint of steps which had to be taken by both the union and the company and represented a truely unbiased program.

The second Labor-Management Conference was held in Hilton Head, South Carolina, on September 26-29, 1988. It was designed as another step in the change process in that management and employee representatives from each bakery location were invited to participate as teams in the four-day program. The meeting had top officials, company managers, and employee representatives from Pittsburgh, PA, Philadelphia, PA, Houston, TX, Atlanta, GA, Buena Park, CA, Richmond, VA, Fairlawn, NJ, Portland, OR and Chicago, IL.

The program dealt with development of a joint vision of where the company needs to be in the future and what the company and union can do to ensure a future beneficial to both. There were skills building exercises such as brainstorming, consensus building and problem solving to equip the participants with the tools to deal with the problems they ultimately indentified as barriers to desired change. FMCS mediators from each of the locations represented at the conference acted as group facilitators throughout the program to guarantee continuity when the parties returned to their plants.

Implementation at Plant Locations

It was agreed that on local levels, each bakery would work on its own vision and needs with the assistance of its area mediators. Some local training programs were in operation as a result of the Grenelefe meeting, while others have begun since the Hilton Head meeting. Others are on the launching pad. One of the earliest programs which began shortly after the Grenelefe meeting was begun in Atlanta, GA, and it has been used as a framework for other locations.

The emphasis on working as a cooperative team has had a fundamental impact on both the company and the union at all levels of the organization. Communications have greatly improved at Nabisco and there is a stronger commitment to work together on problems and to plan change.

Summary

Change in the relationship between labor and management at Nabisco and the creation of a joint vision for the future have taken place and are being implemented at the local level. There is agreement that the company and the union are better prepared to manage these changes, thanks in large measure to FMCS. The Service acted as a unique agent for change by creating the atmosphere for cooperation, by providing training that was tailored to the parties' needs, and by assisting in restructuring the relationship. The ultimate result will be a stabilized and secure workforce with potential for growth and a business environment that will result in a more competitive posture for the company with the capability to withstand great economic pressures in the future.

The best summary and testament to the program at Nabisco comes from Corporate Vice-President of Industrial Relations, Howard W. Snyder; who has stated,

"I truly believe the degree of success American business will have in our global economy is related to its realization that 'renting' an employee's mind costs no more than 'renting' his back. If we move in this direction, labor, management, the individual worker and our country will benefit in untold ways.

"I do not know of an organization, either public or private, other than FMCS that has the charter, the reputation and the ability to make the above happen. You need only the resources and the opportunity to get the job done. FMCS got the job done for us and we thank you."

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FIRESTONE TIRE AND RUBBER COMPANY, LIMITED

UNITED RUBBER WORKERS UNION

Beginning the transition for change--coping with the new global economy

The need for change at Firestone became apparent during the March 1988 negotiations for the master labor agreement covering six plants in the United States. An FMCS mediator was involved in the negotiations, which were impeded by a deteriorating situation at one of the plants. Working with his District Director and Preventive Mediation Coordinator, the mediator and the parties developed a process to handle this issue and moved forward to a contract settlement. That agreed-upon process called for exploration of the problems between the parties with the possibility of introducing the Service's Relationship-By-Objectives (RBO) Program. The parties receptivity to the cooperative approach was influenced by two factors. The first was the professional approach and coherent program offered by FMCS to the parties during the negotiations in Cleveland. The second was the recent purchase of the Company by Bridgestone, Incorporated, one of Japan's largest multinational companies, well-known for its cooperative approach to problem-solving.

The six Firestone plants are located in Akron, Ohio; Russellville, Arkansas; Oklahoma City, Oklahoma; Des Moines, Iowa; Decatur, Illinois; and Noblesville, Indiana. The United Rubber Workers Union (URW) represents approximately 4,500 employees at these six plants. The challenge of working in a multiplant environment met one of FMCS's greatest strengths, its network of skilled mediators located throughout the United States. Field mediators have a clear focus on local conditions and tailor programs to suit the special needs of the labor-management parties.

The First Step

The entire FMCS program at Firestone was coordinated out of the Service's Ohio/Michigan District Office in Cleveland with the involvement of mediators from the Atlanta, Los Angeles, Minneapolis, Chicago and St. Louis districts. The effort was very labor-intensive, involving 23 mediators.

Following contract negotiations between the URW and Firestone, there was a mini (one-day) Relationship-By-Objectives Program held with top management and union leaders to develop the approach which would be taken to initiate desired changes. Based on this meeting the parties agreed to a full-fledged RBO Program at each location with periodic follow-up over several years.

What is an RBO Program?

An RBO has been described as an intensive process-oriented approach wherein the parties, with the assistance of FMCS mediators, seek to change a contentious, strike-prone, union-management relationship into a workable and constructive one. The program was designed by FMCS to help labor-management relationships which have deteriorated to a condition that significantly hinders the parites' ability to deal with day-to-day issues and results in adverse impact on the company's competitive position in the marketplace.

The goals of an RBO are as follows:

1. Analysis of the parties' relationship
2. Creation of a new structure of the relationship
3. Development of mutually agreed upon objectives
4. Identification of action steps needed to achieve jointly identified goals and a timetable for implementation

The question asked was "Why have an RBO program for Firestone and the URW?" The simple answer was to reduce conflict, develop a constructive relationship and enable the company to compete successfully by increasing productivity in an atmosphere of high worker morale. In effect, changing attitudes at the work place at all six locations.

Dealing with Local Autonomy

Once the key people in managment and the union made a commitment to this effort, the program was tailored for each of the six plants with the direct assistance of the local mediators. This process would continue with more specific training programs for implementation of action steps. Follow-up every three months was also built into the plan. Again, this involved an understanding of the individual culture at each plant location and the recognition of specific plant needs during the creation of the program.

The six RBO's took place in early 1989, as well as a series of initial follow-up sessions. The parties are now on the way to developing specific long-range programs at each facility, which will include intensive FMCS participation.

Summary

Four out of six locations are working very effectively and the remaining are progressing at a slower, but positive pace. FMCS has demonstrated its commitment by diverting its resources to this effort.

Nori Takeychi, Senior Vice-President from Firestone has said, "Let's look at this five years from now and see what we want to do with it," indicating the company's long-range commitment to a plan that is working. Change is difficult, especially for the individually-minded American worker, but FMCS's vision has and continues to predict positive results in such cooperative efforts. The Firestone effort looks promising because both sides have made a commitment.

FMCS INTERNATIONAL ACTIVITIES

FMCS international activities include the briefing of foreign visitors on the American industrial relations system and its dispute resolution processes; providing training and technical assistance both in the United States and in foreign countries; assisting other federal agencies such as the State Department, the Bureau of International Labor Affairs, and the U.S. Information Agency with course content and design; and conducting Labor Attache briefings.

The Service intends to continue these activities and be responsive to requests from other government agencies in their relationships with foreign countries.

Detail of Permanent Positions

	1989 Actual	1990 Estimated	1991 Estimated
Executive Level III	0	1	1
ES-5	2	4	4
Subtotal	2	5	5
GS/GM-15	21	23	22
GS/GM-14	186	195	197
GS/GM-13	23	21	20
GS-12	18	14	16
GS-11	3	8	4
GS-10	4	0	0
GS-9	3	4	4
GS-8	5	6	6
GS-7	24	25	24
GS-6	16	17	17
GS-5	4	9	11
GS-4	7	5	4
GS-3	3	1	0
GS-2	0	0	0
Subtotal	317	328	325
Total permanent positions	319	333	330
Unfilled positions end-of-year	19	--	--
Total permanent employment end-of-year	338	333	330

TUESDAY, APRIL 3, 1990.

NATIONAL MEDIATION BOARD

WITNESSES

JOSHUA M. JAVITS, CHAIRMAN
WALTER C. WALLACE, MEMBER
PATRICK J. CLEARY, MEMBER
CHARLES R. BARNES, EXECUTIVE DIRECTOR
ROY J. CARVATTA, STAFF DIRECTOR GRIEVANCES
WILLIAM A. GILL, JR, ASSISTANT EXECUTIVE DIRECTOR
MARY C. MAIONE-PRICCI, ADMINISTRATIVE OFFICER

INTRODUCTION OF WITNESSES

Mr. NATCHER. At this time, we will take up the request for the National Mediation Board. With your permission, Mr. Javits, we will place your statement in the record in its entirety and go right to the questions.

Before we do this, tell us who you have with you there at the table.

Mr. JAVITS. My pleasure, and it is a pleasure to be here.

On my right is Patrick Cleary, our newest member of the board who assumed office in November 1989. He was the Deputy Assistant Secretary at the Department of Labor for several years and worked for Secretary Brock. We are very pleased to have him on the board.

On my far left is Charles Barnes, our Executive Director.

To my left is Mary Maione-Pricci, our Administrative Officer.

To the right of Mr. Cleary is William Gill who is our Assistant Executive Director.

To my far right is Mr. Roy Carvatta who is in charge of our Section 3 Program.

Mr. NATCHER. Thank you, Mr. Javits.

[The information follows:]

STATEMENT OF JOSHUA M. JAVITS
CHAIRMAN
NATIONAL MEDIATION BOARD
BEFORE THE
COMMITTEE ON APPROPRIATIONS
SUBCOMMITTEE ON
LABOR, HEALTH AND HUMAN SERVICES,
EDUCATION, AND RELATED AGENCIES

MR. CHAIRMAN, MEMBERS OF THE SUBCOMMITTEE. Thank you for this opportunity to appear before your Subcommittee today regarding the National Mediation Board's budget for Fiscal Year 1991.

The total amount requested for Fiscal Year 1991 to administer the Railway Labor Act is for $6,675,000, and a personnel complement of 58 positions.

The appropriation for the National Mediation Board is requested for expenses necessary to administer the provisions of the Railway Labor Act, as amended. This statute was designed to provide orderly procedures for the settlement of labor disputes in the railroad and airline industries, as well as to handle questions of employee representation and to administer the arbitration provisions of the Act.

When the Railway Labor Act was amended in 1934 it established the National Railroad Adjustment Board for the purpose of handling grievances arising under the terms of collective bargaining agreements in the railroad industry.

In 1966, the President signed Public Law 89-456, which further amended certain provisions of Section 153 of the Act. Under the Public Law, new grievances and those which have been on docket before the National Railroad Adjustment Board for a period of at least one year may be referred to a local board of adjustment. The purpose of this amendment was to reduce an overwhelming caseload of unresolved disputes pending before the National Railroad Adjustment Board.

The budget justification, as submitted, identifies the functions just discussed and the amounts requested for each. I would like to go over each one briefly.

Mediatory Services

For mediatory services for Fiscal Year 1991, we are requesting $3,866,000, an increase of $251,000 over Fiscal Year 1990. These services include mediation relating to the making and amending of collective bargaining agreements, procedures relating to the selection by employees of their bargaining representatives, and a number of administrative duties consistent with statutory authority under the Act and related statutes governing railroad and airline labor disputes procedures. The Board foresees an increase in this activity largely due to the continuing effects of both airline and railroad deregulation, to mergers and to splintering of railroad carriers from national bargaining.

The first national bargaining for the railroad industry since 1984 currently is ongoing and has been complicated further by the fact that selected carriers and unions have chosen to bargain separately, rather than through their respective national committees, as has been the case in the past. This has placed greater demands on the services of the Board and its mediators.

In the airline industry, expansion of air service is continuing and there are a large number of important contract negotiations in Fiscal 1990 and 1991. Included are contracts between pilots or mechanics unions -- or both -- at large carriers like American, United, Pan American, Alaska, Midway and Southwest. Pilots at roughly 20 regional airlines also have been unionized during the past two years, expanding the total number of negotiations that may require assistance from the Board and its mediators.

President Bush's budget includes a record level of aviation spending to modernize air traffic control facilities and expand the safety and convenience of air travel. The enormous growth in the airline industry is continuing with about 460 million people projected to travel by air this year. Continuing competitive pressures in the airline industry will result in difficult contract negotiations.

Voluntary Arbitration and Emergency Disputes

The second activity of the Mediation Board relates to voluntary arbitration and the investigation of critical disputes through emergency board procedures. In these arbitration proceedings, disputes over contract formation are voluntarily submitted by labor and management to a neutral party for final and binding decision.

Emergency boards are created by the President pursuant to Section 160 of the Act. When the Mediation Board finds that a dispute not resolved in mediation threatens substantially to interrupt interstate commerce and deprive any section of the country of essential transportation, it notifies the President who may create an emergency board to investigate and make recommendations as to the settlement of the dispute.

The Northeast Rail Service Act of 1981 amended the Railway Labor Act by adding a special emergency dispute procedure for publicly funded and operated commuter carriers and their employees. Under this procedure, the President is required, upon request of any party to a labor dispute, including the Governor of the State, to establish possibly two successive emergency boards.

The Mediation Board is requesting $577,000 for these activities, the same amount as is available in Fiscal Year 1990. As in the past, we will continue to hold this amount in a special

category and use it only for voluntary arbitration and emergency disputes. Any amount not needed for this purpose will be lapsed at the end of the year.

Adjustment of Railroad Grievances

When the Railway Labor Act was amended in 1934, the National Railroad Adjustment Board was created to hear and decide disputes involving railroad employee grievances and questions concerning the application and interpretation of work rules. Administrative responsibility for fiscal management of the Adjustment Board was placed with the National Mediation Board. As indicated earlier in my statement, the Mediation Board administers Public Law 89-456, which amended certain provisions of Section 153 of the Railway Labor Act.

Over the years, the grievance system has become overburdened with a large number of undecided cases. Further aggravating this situation, has been a substantial number of cases which were heard but undecided by neutrals, and an increase in the time required to issue awards.

Recognizing the need to reevaluate the railroad grievance system, rail labor and management established a bipartisan committee to review the entire grievance handling process. Recommendations for improving the grievance handling system were jointly agreed to by the participants and a copy of their report was submitted to you in 1988.

We are encouraged that substantive changes in procedures have been implemented as a result of this committee's work and we are optimistic that its comprehensive recommendations will be given serious consideration by both labor and management. We believe that substantial progress has been made during the past two years and anticipate that these efforts will continue to bear fruit during FY 1990 and 1991.

Achievements include adoption of uniform rules for the four divisions of the National Railroad Adjustment Board for the first time in 53 years; the restriction of neutrals with a large backlog from hearing other cases; and the allocation of work days based on each neutral's productivity and caseload. Also, the parties are being urged to settle disputes prior to resorting to arbitration, to use precedent for resolving similar disputes and to handle similar claims together.

Since a source of concern is the number of cases pending in the system, in June 1989 the Board requested the parties to examine jointly and come to an agreement on the current caseloads for each open public law board and to identify the issues in each case. The issues designated by the parties will be used for case index. The uniform numbering system will allow the Board to track cases. A generic subject index of the disputes and decisions may be used by the parties to determine similar claims before they are brought to final and binding arbitration. This approach will produce two main benefits: first, it will

save costs for the parties to the disputes as well as for the Government; and, second, it will bring claims that must be arbitrated to speedier conclusion.

An additional benefit of this project, which is approximately 95 percent complete, has been that the parties have advised that 300 public law boards could be closed, thereby reducing the pending caseload by more than 5,000 cases. The Board has requested the same information on Special Boards of Adjustment and we are anticipating reduction in the SBA caseloads. We expect continued cooperation of the parties in this initiative, which is essential since the Railway Labor Act does not give the Board control over the number of cases submitted or resolved. Therefore, to provide uninterrupted arbitration services for the entire fiscal year, the Board requests $2,232,000 for the adjustment of railroad grievances.

This completes my statement. If you have any questions, we will be happy to answer them.

RAILWAY LABOR ACT TODAY

Mr. NATCHER. Some critics say it is time for major reforms in the way we settle rail and airline labor disputes. They argue from time to time that with the exception of commuter railroads, no labor dispute will significantly damage commerce. Does the Board believe the 1935 Railway Labor Act needs updating to reflect the economic and labor climate of the 1990's?

Mr. JAVITS. The Railway Labor Act is not a perfect instrument. I believe it is a very good instrument.

We don't have any particular recommendations with regard to statutory changes although some might be made to improve the act. I think overall it is an excellent act. I think it does respond to the needs of the 1990's.

We have had only five strikes in the last five years. Only one of those turned out to be a truly major strike in terms of its industry impact and that is the Eastern strike.

I think a shutdown of the national freight rail system which handles 36 percent of the freight in the United States would create such a devastating impact on the entire economy that the Railway Labor Act mechanisms are useful in preventing such shutdowns.

Similarly, in the airline industry, more people are traveling by air. Passenger traffic in that industry is increasing five percent a year. More than a million and a half people travel per day. It is almost a commuter network by air, and I think the Railway Labor Act, which prevents shutdowns in the industry is still useful and relevant today.

Mr. NATCHER. In what other industries can the President establish emergency boards that act to prevent employees from striking?

Mr. JAVITS. The Taft-Hartley Act provides for boards of inquiry. They have not been used in recent years but may be created by the President in certain instances in which the health and safety of the citizens is at stake.

The Railway Labor Act provides for presidential emergency boards which are used on occasion. Those do not prevent self-help by the parties. Ultimately, the unions would have a right to strike. That is, while the presidential emergency board issues its report and for a 30-day cooling off period thereafter, there is no right to strike or promulgation by a carrier. Thereafter the emergency board only forestalls self-help and hopefully gets the parties to a settlement.

Mr. NATCHER. How different are the actual labor-management issues involved in the Greyhound bus strike from issues dealt with by the Board? Tell us, if you will, are different mediation skills needed?

Mr. JAVITS. I am not sure that the issues are that different. However, the airline and railroad industries being transportation industries have their own peculiar terminology, ways of thinking, ways of approaching labor relations. They have related in that way for 50 years or more within the railroad industry. They are used to working through the Railway Labor Act and its procedures, and that convention, if you will, that understanding of the act and its mechanisms has helped the parties to get to agreements.

So the act itself encourages settlement, and we have seen a record 98 percent of its docketed cases being settled. I think that is largely attributable to the Board's understanding the mechanisms and the laws, and how it works. The issues may be the same—wages, pensions, health and welfare benefits—but the procedure for getting to settlements is different and is very effective in the railroad and airline industry because the parties know it and because the public interest is served by preventing shutdowns.

REVISED MEDIATION CASELOAD

Mr. NATCHER. The Board originally estimated there would be 200 new mediation cases in 1990. The revised estimate is 250. What factors are considered in developing caseload projections and how accurate are these projections now that we are halfway through 1990?

Mr. JAVITS. Mr. Chairman, it is very hard to predict the number of cases we will have. We can predict contract amendable dates and find out how many contracts might end up in mediation. However, the parties settle most of their cases in direct negotiations on the small railroads, and the regional and national air carriers. So, we have settlements in direct negotiations a lot of the time and it is hard to predict which will eventually end up in mediation, but we do our best based on contract amendable dates and, generally, we have not been too far off.

NATIONAL RAILROAD HANDLING

Mr. NATCHER. At this point, does it appear that independent rather than industry-wide bargaining will become the norm for railroads, and also, Mr. Javits, what impact would this have on the Board?

Mr. JAVITS. At this point, for this round of negotiations, which began in April of 1988 with the exchange of the Section 6 notices, the railroads will by and large stick together in national handling. There are exceptions particularly with some of the smaller class one railroads such as Grand Trunk, Soo Line as well as AMTRAK, but, by and large, the railroads are going to stick together, as I understand it, for this round of negotiations. I think there is a possibility that in future rounds, there will be fragmentation. There is competition among the Class I railroads, and there is competition most especially between railroads and trucking which is putting pressure on the carriers to reduce costs. They have different configurations of employees, different needs, and they may well fragment.

If they do fragment to a greater or lesser extent, that will put pressure on the Board. We may need more mediators. We will certainly be a lot busier if we find the fragmentation of what is now one negotiation essentially for 60 or 70 carriers turned into multiple negotiations between that number of carriers and 14 rail unions.

REGIONAL AND COMMUTEP AIRLINES

Mr. NATCHER. The justification as you know indicates there has been increased union organizing of regional and commuter airlines. What impact will this have on the board's workload?

Mr. JAVITS. The increased organizing at the regional national airline level is having a very significant impact upon the Board's workload. Seventy-five percent of our cases last year were airline cases rather than railroad cases.

I should supplement my prior answer by saying there are small railroads where we mediate their labor disputes in any case whether there is fragmentation of national handling or not.

But in the airline industry, the representation cases we are getting on the regionals and nationals are many and frequent. Those cases produce, if the union is elected, contract disputes involving first contracts which are very difficult to write. Subsequent contracts are usually easier because the parties are used to the system and have a base level from which to change their contract. The first contracts are more difficult and the parties are writing the contract for the first time. Some of the smaller carriers in particular are not familiar with the collective bargaining system or the Railway Labor Act. Therefore, their negotiations are difficult and it takes a lot of effort to help the parties reach a settlement.

I might mention the board held a conference last month on the regional and national airlines. In getting the parties together, we had 230 representatives of the unions and management, and I thought it was a very constructive discussion.

Mr. NATCHER. Mr. Conte, I yield.

Mr. CONTE. Thank you, Mr. Chairman.

Mr. Javits it is good to have you appear before the committee again. When you were here last year, you were expecting your first child.

Mr. JAVITS. That is true. The child is an infant.

Mr. CONTE. Your experience as a mediator should come in handy as a parent.

Mr. JAVITS. Between wife and child and child and father and wife, yes.

Mr. CONTE. You just returned from Scottsdale where you held the first meeting of the top union leaders and management of the national and regional airlines.What was accomplished?

Mr. JAVITS. We had 230 representatives of the national carriers and the unions. I think the conferees were informed as to the mechanisms of the Railway Labor Act and how the National Mediation Board works. They met each other. There was a lot of discussion in the hallways that may have been the most productive aspect of it; that is, parties that are engaged in collective bargaining or have representation disputes discussed matters with each other and, hopefully, got to know each other in a nonconfrontational setting which will help them reach agreement, and they also learned about the act and the Board and how to work with us and with each other. I can't give you any statistical results but I think it was a very worth while conference.

Mr. CONTE. Alfred Checci was the keynote speaker. What is his vision for the future of the air transportation industry?

Mr. JAVITS. I cannot speak for Mr. Checci. He is new to the industry. As you know, he bought Northwest Airlines last year. I think his vision for Northwest Airlines is to have an airline in which labor-management relations are constructive and useful and cooperative. I think his vision is that the parties are in the same boat in an increasingly competitive national airline industry and international, global airline industry, and that the parties need to stick together and work out their differences cooperatively and help each other. That is my understanding of his vision from his speech and, thus far, from his implementation of labor relations policy.

EASTERN AIRLINES

Mr. CONTE. Yesterday there was tentative agreement with Eastern's pilots who took a 25 percent pay cut. How are things moving there?

Mr. JAVITS. In terms of the agreement between the Pilots Association and Eastern, the Board was very pleased that the parties were able to get that. They obtained it through mediation. The Mediation Board has been working with the parties since October directly in mediation to try to obtain an agreement. Relief for the carrier was obtained at the time when they needed relief very badly, and we were very pleased to see that the membership overwhelmingly ratified the interim agreement. We are hopeful that there will be a full agreement, but at least this interim agreement, retroactively to March first, gives the carrier considerable concessions which it will be able to take to the bank.

In terms of how Eastern is doing in the overall, it is very hard to say. Their yields are very low, and they have reduced fares tremendously and they have a high load factor. A lot of people are flying but their yields, what they make per passenger is very low, and they are losing money at the estimated rate of $330,000,000 this year, up from the $187,000,000 estimate only a month ago.

So, they are in very difficult financial straits. The creditors are certainly concerned about their obtaining their due, and it is a difficult situation. I think labor at least with this interim agreement has contributed its share at least for now to try to keep the airline afloat.

Mr. CONTE. The President didn't accept the Board's recommendation that he appoint an emergency board to resolve the 13 month old Eastern strike. Could an emergency board have shortened the strike, do you think?

Mr. JAVITS. It might have. If an emergency board had been created in March when the Board notified the President that a threat to interstate commerce existed, the emergency board might have made recommendations which might have been the basis for a settlement between the parties. The emergency board would have lasted for 30 days with a 30-day cooling off period, and it was possible there could have been a settlement then or the Congress might have adopted the emergency board decision and implemented it.

However, we are mindful of the fact that there was a secondary picketing situation in Eastern which was some part of the reason why we recommended an emergency board and secondary picket-

ing did not take place. The President in his discretion under the law decided not to create a board and that is his right and expression of his national transportation and national labor policy. The fact that he didn't, the fact that there wasn't the impact that we anticipated would suggest that an emergency board is not necessarily the only answer in that situation.

Mr. CONTE. In March, the House sustained the President's veto of H.R. 1231 that would have set up a commission to end the strike. Was it appropriate for the examiner to urge Congress to sustain the veto?

Mr. JAVITS. The board has attempted to stay out of the Bankruptcy Court's hair and we have hoped that the Bankruptcy Court would stay out of our hair in the sense of not interfering with our mediation process with the union.

Congressman, if you would indulge me, if we could, I would prefer not to comment on the Bankruptcy Court's actions through its examiner.

Mr. CONTE. Is the Board playing a role in the contract talks with Eastern's flight attendants?

Mr. JAVITS. No. The flight attendants, the TWU, reached a back-to-work agreement several months ago with Eastern. They did that in direct negotiations. As I understand it, they are engaged to some degree in direct negotiations with the carrier. We are not in mediation with the TWU and Eastern on that.

Mr. CONTE. It has been over a year since the hearings were completed. Why hasn't the Board decided whether Eastern and Continental are actually one transportation system?

Mr. JAVITS. The Board has that under consideration. As you may know, we have an immense record in that case. We had over six months of hearings pursuant to the parties' request to get on the record the facts. We investigated beyond that, obtained additional materials. We had to go to court, in fact, to get the materials that we needed to make a decision. We have over 8,000 pages of transcript, over 200,000 pages of exhibits, and an immense record that we are going through, and we will get a decision out. It is a novel issue. We have not hit this issue before. It will affect the entire industry in terms of the relationship between carriers particularly major carriers and regional carriers that have varying kinds of marketing and other arrangements, so this case is a significant one in terms of precedent and criteria set forth. I might mention, in addition, Mr. Cleary, who is new to the Board, has been unable to go through that immense record in this short amount of time, but we do expect to have a decision out in the near future.

Mr. CONTE. Leaving the airlines for a moment, the latest development in the Guilford picture, was a ruling two weeks ago rolled back the work rules and pay scales. Does it look like both sides will accept this ruling?

Mr. JAVITS. I believe you are referring to a ruling by an arbitrator on the issue of work rules and pay and what they should be. The last arbitration decision was like the prior arbitration decision, I don't know if they will accept it or not. We are not in mediation on that subject, but my understanding is there are some discussions as to the implementation of that arbitration award and we will just have to wait and see. As I said, we are not a party to it.

We have seen a copy of the decision. I do not know whether the parties will accept it or not.

Mr. CONTE. As I sit here and listen, just thinking back to your dad, you sound just like him.

Mr. JAVITS. I hope my brains are half of his.

Mr. CONTE. I have great memories of our time together in Congress and at the Republican convention.

I have exhausted my time. I will be back later.

RAILROAD GRIEVANCE FORUMS

Mr. NATCHER. The justifications indicate the National Railroad Adjustment Board handles only 15 percent of all disputes arising between employees and a carrier. Why is the Adjustment Board involved in so few disputes?

Mr. JAVITS. The Adjustment Board is located in Chicago, as you know, Mr. Chairman, composed of 17 representatives of the union and 17 representatives of the carriers. That is the oldest dispute resolution Board in the railroad industry under the Railway Labor Act.

Since special boards of adjustment and public law boards were created, SBA's in the late 1940's and public law boards in 1966, the parties have shown a preference for using those forums. I think the reason is because those forums are created on the properties between a given union and a given carrier and the parties find it more convenient and find that the situation is more conducive to resolution and to being heard by an arbitrator who is familiar with the history on that property. They prefer that forum, I think, as a result, really of its locality and that it is just as an assignment dealing with the particular carrier and a particular union.

Mr. NATCHER. How serious is this Board's backlog of cases?

Mr. JAVITS. The backlog has been high for several years. In the last year, the National Mediation Board has made efforts which reduced the backlog enormously, by over 6,000 cases, more than 50 percent of the cases that were backlogged, and we did that by requesting the parties to number their cases and give us the subject matter of their cases in a log and, by doing that, the parties reviewed every one of their cases and were able to settle or eliminate an enormous number of cases.

Right now, as a result the backlog is not very high and something I believe that can be dealt with efficiently and effectively in the next year under our budget, under our Section 3 arbitration section.

Mr. NATCHER. Why is the number of adjustment cases expected to drop in 1991?

Mr. JAVITS. We are anticipating that as a result of some of the efforts that the Board has made and the committee composed of labor and management to reduce and streamline the arbitration system, there will be a reduction in cases submitted. The parties have been receptive to having precedential boards, boards which establish precedents for cases so that instead of a hundred cases going through arbitration one would go through arbitration and that one would be used as precedent for the others. Also vice president's dockets to screen cases and other methods of dispute resolu-

tion which will reduce the caseload are being used in addition to the efforts I just enumerated in terms of numbering, identifying and finding the subject matter of each case which has proven to reduce our caseload.

FULL TIME EQUIVALENT

Mr. NATCHER. Your Full-Time Equivalent ceiling for 1990 as you know is 58. Do you expect to fully use that ceiling?

Mr. JAVITS. Yes, we do. We are at a relatively low level in terms of our full-time employees. I think we are at 52 employees right now, but we are in the process of hiring a hearing officer who is very badly needed in our representation case area as well as a mediator, and we may be hiring one more mediator fairly soon, and we hope to get up to our full-time employee complement relatively soon.

We had several retirements of some of our older mediators, and that is what essentially has caused the shortfall.

Mr. NATCHER. Mr. Javits, this has been a good hearing and we want to thank you and your associates for appearing before our subcommittee at this time in behalf of your budget request for the Fiscal Year 1991.

Mr. JAVITS. Thank you very much, Mr. Chairman. It has been an honor and pleasure to come before you.

[Questions and answers for the record and the justifications follow:]

The following questions were submitted to be answered for the record:

Mr. Natcher: Why should the Federal government continue to finance the mediation of employee grievances in the railway industry when it doesn't provide this free service for any other industry?

Mr. Javits: The rationale traditionally given for government funding of arbitration in the railroad industry is that when the Railway Labor Act was written, the unions gave up the right to strike over grievances in return for government funding.

The government's paying for the resolution of disputes in the railroad industry is required by Section 153 of the Railway Labor Act.

The Board takes no position with regard to statutory modifications. The Board continues to administer the statute as written.

This statutory provision has been in effect for over 60 years and it might be said it has become a way of life in the railroad industry. We have heard experts and historians explain the reasons for this approach and whether or not there was justification originally. Its long duration has become a factor and for one who has experienced the strong feelings of opposing sides on this issue, it might be well to urge caution.

CASELOADS

Mr. Natcher: According to the justification, the Board is currently involved in separate mediation of 17 cases with 11 unions on Amtrak issues. How many Board mediators are involved and how are their efforts coordinated?

Mr. Javits: Four mediators are assigned to 10 of the open cases. The other cases are not yet assigned because the parties believe the cases now assigned are the lead cases which, when resolved, will set precedent for the others.

Efforts of the mediators in these cases are coordinated by the Assistant Executive Director. The mediators report to him and he in turn briefs the other mediators on the status of the other cases.

Mr. Natcher: The Board is estimating a seven percent decrease in the number of mediation cases closed in 1990, but a 33 percent increase in 1991. What accounts for this variation?

Mr. Javits: We expect more than the normal number of cases will be closed in FY 1991 because we anticipate an agreement in railroad national handling. It is our experience over the years that many other cases are related to national handling issues which also will likely be resolved.

Mr. Natcher: In 1988 and 1989, 44 percent of mediation cases were closed administratively. What criteria are used to determine

when a case is closed administratively and how often are these cases reopened?

Mr. Javits: It is true that 44 percent of mediation cases closed in 1988 and 1989 were done administratively.

We utilize certain procedures to track cases. After a year of inactivity each case is reviewed to determine whether either party desires to keep the case in active status. If not, the case is administratively closed with the proviso that either party may request it be reopened.

In FY 1988 and 1989, nine percent of the administratively closed cases were reopened in that manner.

Mr. Natcher: Why is a 20 percent decrease projected in 1991 in the number of new representation cases?

Mr. Javits: For most of the 1980's, the number of representation cases received during a one year period averaged 80. In 1989, the Board received 102 new representation cases. The 20 percent decrease projected by the Board represents the Board's belief that the major organizational activity in the airline industry has already taken place. In addition, the increase in new cases from 1988 to 1989 was due, in part, to airline mergers. The Board currently has no notice of any pending airline mergers. However, it must be noted that this number is difficult to predict.

Mr. Natcher: How many hearings were held in 1989? How many are projected for 1990 and 1991?

Mr. Javits: There were 16 days of hearings held in fiscal year 1989. All of those days were devoted to the issue of whether Continental and Eastern constitute a single carrier. The number of projected hearing days for 1990 and 1991 is 15.

COST INCREASES

Mr. Natcher: Costs per travel day have remained relatively constant since 1988, in spite of an increased per diem allowance. How has this been achieved?

Mr. Javits: Attempts are made to keep costs down by assigning local mediators in certain regions which enable them to return to their duty stations more frequently, if not on a daily basis, thus reducing the daily cost. Also, the use of a travel agent helped in choosing the lowest fares possible which reduced the overall transportation cost.

Mr. Natcher: The total number of travel days has increased 38 percent since 1988. How does this compare to increases in caseload over the same time period?

Mr. Javits: There was a marked increase in mediation and representation cases received during FY 1989. The number of cases

resolved does not necessarily reflect the workload of the mediators. For instance, one mediator working full time can devote his/her whole year handling just one or two cases, for example Eastern Air Lines in 1988 and Northwest Airlines, involving a merger buyout and complex pilot contract in 1989.

Mr. Natcher: What portion of the contingency funds for arbitration boards is projected to lapse in 1990?

Mr. Javits: A guess would be around $300,000.

Mr. Natcher: Why do you project a 12 percent increase in 1991 rental payments?

Mr. Javits: The General Services Administration has provided these cost estimates for rent for our headquarters in Washington, D.C. and field office in Chicago, Illinois.

COMMUTER RAILROAD CONFERENCE

Mr. Natcher: What was the end product of the commuter railroad conference you conducted last year? How much did it cost to sponsor the Conference, and what portion of the cost was paid by the Board?

Mr. Javits: In an attempt to improve the effectiveness of collective bargaining among this group of carriers, the Board held a two-day Commuter Railroad Conference in January 1989, in Atlantic City, New Jersey. The event brought together more than 200 of the leading management labor relations representatives, labor leaders, and neutrals in the industry to discuss a range of issues of mutual concern. The conference, the first of its kind ever held, addressed the bargaining process and grievance handling. Labor and management candidly gave their perspectives and complaints in this non-confrontational forum. The conference helped to develop new avenues of communication and cooperation between the parties. The Board hopes to build on these initial improvements through additional joint labor-management activities and meetings.

One direct result of the conference was the parties agreed to create a task force made up of representatives of commuter managements and labor organizations to address commuter railroad labor relations issues.

The Board provided the administrative support in handling the conference. Also, a number of mediators and management staff attended the conference. The conference was self-supporting and costs were covered by a conference fee.

GRIEVANCE CASES INDEX

Mr. Natcher: Do you anticipate that the indexing of cases that allowed the one-time reduction in public law board pending cases in 1989 will assist in preventing backlogs in the future?

Mr. Javits: Yes. It is expected that requiring the parties to number and index cases will reduce the number of cases filed. This requirement is continuing. Also, the Board is working with the parties to resolve these disputes more expeditiously, particularly cases with common subject matter disputes. The National Mediation Board also intends to keep track of all boards by requiring the parties to provide the status of cases pending when there has been no activity on a board for a period of time.

REPRESENTATION CASES

Mr. Natcher: What is the average timeframe between filing of a representation application and assignment of a docket number?

Mr. Javits: They are handled immediately as they are received by our office. In 99 percent of the cases, a letter goes out the same day a case is filed to the parties affected, advising them that the case has been docketed and giving them the docket number.

Mr. Natcher: What is the median time between filing of a representation application and the closing of the case?

Mr. Javits: In FY 1989, the average time between filing and closing of a representation case was approximately 68 days.

Mr. Natcher: The 1991 budget request represents a 4.5 percent increase over 1990. Was this the amount of your original request to the Office of Management and Budget?

Mr. Javits: A request of $6,910,000 was submitted to the Office of Management and Budget.

Mr. Natcher: How many employees at the Board are affected by the pay increase mandated by the Ethics Reform Act of 1989 and what are the costs associated with the increase?

Mr. Javits: Three Board Members and one Executive Director are affected by it. It is estimated that the cost of the pay increase in FY 1990 will be $12,000 and in FY 1991, $76,000.

Mr. Natcher: At what rate were emergency board members compensated in 1989? How did this compare to the rate paid to a neutral member of an arbitration board? What were the total 1989 salary costs for each?

Mr. Javits: Emergency board members are paid the daily rate for individuals not to exceed the per diem rate equivalent for GS-18 as provided by Title V - General Provisions of our appropriation bill. During FY 1989 the daily rate was $289.44. The normal rate for a neutral member of an arbitration board is $220.00 per day. The total salary costs for emergency board members were $24,000, and for arbitration board members were $18,000.

Mr. Natcher: Provide a five year table of the amount of contingency funding received, and that which has lapsed each year.

Mr. Javits: A table is provided for your information in thousands of dollars.

EB/ARB Funding	FY 1985	FY 1986	FY 1987	FY 1988	FY 1989
Received	584	559	584	569	577
Lapsed	499	433	499	472	507

Let me emphasize that we cannot predict with any certainty what the demand will be for emergency boards and arbitration boards. We do know that when an emergency board or arbitration board is needed it is needed immediately. This contingency funding process permits the Congress, the President and the National Mediation Board to be ready to meet any emergency without the delay for a supplemental appropriation. At the same time, as the table shows, the system is strictly administered so that if these designated resources are not needed for emergency boards and arbitration boards, they are lapsed, not spent on something else.

CASELOAD PROJECTIONS

Mr. Natcher: Provide a five year history table of the number of representation and mediation cases originally projected, the revised projection in the following year, and the number actually received based on end-of-year data.

Mr. Javits: Below are the caseload projections for FY 1985, 1986, 1987, 1988 and 1989 by activity.

Mediation Caseloads

	FY 1985		
	Original Projection	Revised Projection	Actual
Received during year...	200	175	181
Resolved during year...	210	160	84

	FY 1986		
	Original Projection	Revised Projection	Actual
Received during year...	200	160	159
Resolved during year...	190	220	89

	FY 1987		
	Original Projection	Revised Projection	Actual
Received during year...	165	165	123
Resolved during year...	190	190	184

	FY 1988		
	Original Projection	Revised Projection	Actual
Received during year...	160	160	123
Resolved during year...	190	190	93

	FY 1989		
	Original Projection	Revised Projection	Actual
Received during year...	160	270	253
Resolved during year...	210	220	243

Representation Caseloads

	FY 1985		
	Original Projection	Revised Projection	Actual
Received during year...	130	105	79
Resolved during year...	125	90	82

	FY 1986		
	Original Projection	Revised Projection	Actual
Received during year...	100	90	79
Resolved during year...	92	75	78

	FY 1987		
	Original Projection	Revised Projection	Actual
Received during year...	95	85	75
Resolved during year...	80	80	83

	FY 1988		
	Original Projection	Revised Projection	Actual
Received during year...	85	85	74
Resolved during year...	80	80	68

	FY 1989		
	Original Projection	Revised Projection	Actual
Received during year...	90	150	102
Resolved during year...	85	140	99

EMPLOYMENT IN THE RAILROAD AND AIRLINE INDUSTRIES

Mr. Natcher: The justification indicates there are approximately 350,000 presently employed in the railroad industry. How does this figure compare to 10 years ago?

Mr. Javits: The latest figures available puts railroad employment about 297,000, roughly a 50 percent decrease over the last 10 years. This decrease has resulted in part from productivity improvements, changes in work rules including issues such as crew consist and miles per day, line sales and abandonments. The collective bargaining procedures of the Railway Labor Act should be credited for the peaceful means by which this dramatic transition has occurred.

Mr. Natcher: How many individuals are currently employed by the airline industry and how does this compare to 10 years ago?

Mr. Javits: The airline industry has experienced a 45 percent increase in employment over the past 10 years to a current level of roughly 491,000.

Mr. Natcher: Does the number of railroad and airline mediation cases correlate to the respective number of employees?

Mr. Javits: Actually, there is little direct relationship between cases and numbers of employees. The number of mediation cases correlates to the number of industry-wide bargaining units, crafts or classes, and the term of the agreements reached. In this regard, deregulation of the airline industry has spawned numerous new carriers contributing to a doubling of the Board's mediation caseload over the last 10 years. Likewise in the railroad industry, deregulation spawned numerous new carriers. Furthermore, to the extent railroads withhold bargaining authority from the National Railway Labor Conference, the caseload of the Board also increases.

In short, the Board's mediation workload has nearly doubled over the last 10 years to a current level of 375 cases.

BOARD MEMBER ROLE

Mr. Natcher: Explain the role of the three Member Board vis-a-vis the role of the other professional staff at the Board.

Mr. Javits: Members of the Board have the final responsibility for administering the Railway Labor Act and in carrying out this responsibility many duties are delegated to the Board's professional staff members. Subject to the Board's direction, day-to-day administration of the Board's activities is delegated to the Executive Director. The agency has 58 full-time employees, including 16 field mediators stationed throughout the United States and 11 employees who work in the Chicago office. The professional staff, under the Board's direction, handles the day-to-day responsibilities of docketing and mediating contract disputes over wages, rules and working conditions between employees and carriers. The professional staff, again under the direction of the Board, also handles the day-to-day responsibilities for docketing and carrying out established procedures for employee representation disputes involving labor organizations that seek to represent railroad or airline employees. This representation function includes investigating the dispute, conducting a hearing when issues arise that require defining the proper craft or class, and certifying the results of the employees' choice.

In addition to directing the carrying out of the above, other Board duties include overall supervision of office and field personnel; liaison with rail and airline labor-management representatives; legal activities involving the agency, including litigation and liaison with the Department of Justice; public information responsi-

bilities to keep the news media and general public informed of the Board's programs and activities; notification to the President when disputes arise that could interrupt interstate commerce so that he, in his discretion, can appoint an emergency board; interpretation of agreements reached in mediation; appointment of neutral referees and arbitrators as required by law; and administrative and legal support to the National Railroad Adjustment Board.

Further, Board Members participate with mediators in negotiations, especially when difficulties or a crisis develops. In the railroad negotiations, it is traditional for a Board Member to participate at the negotiation sessions and serve as mediator.

MEDIATOR SKILLS

Mr. Natcher: What different skills are needed by mediators and arbitrators?

Mr. Javits: The mediator must be completely impartial, a confidential advisor who neither takes sides nor forces decisions. He also has to be a constructive peacemaker who brings an objectivity to dispute issues and opens new roads to problem-solving and decision making. Regardless of background, the mediator is required to maintain strict objectivity and neutrality as a representative of the public interest. It is the mediator's job to listen, review, analyze, suggest, advise, reason and explore all possible means of reaching an agreement. In an effort to meet these responsibilities, a mediator must have the ability and skills: to enter into tense situations and deal effectively with people and to command their respect; to preside and maintain control of meetings with dignity, poise, and impartiality; to confer effectively with representatives of labor and management; to participate in cases of greater than normal complexity; to formulate concrete and practical suggestions for alternative solution, compromise and settlement. He or she also must be able to write clear and concise reports and letters to keep Board Members apprised of the status of cases to which he or she has been assigned. Board mediators also perform representation case functions involving craft or class and eligibility determinations and the processing of elections.

Arbitrators must be able to review, evaluate and make binding decisions on the meanings and applications of contract terms between labor and management. These responsibilities invariably require a background in labor law and are helped by previous experience and direct involvement in the preparation of collective bargaining agreements.

Mr. Natcher: What share of Board cases are appealed to the courts?

Mr. Javits: It is a relatively rare occurrence for the parties to seek judicial review of National Mediation Board decisions. During fiscal year 1989, 24 legal cases were closed by the General Counsel's office, up from 20 cases in FY 1988. In all of the litigation during FY 1989, the National Mediation Board's position ulti-

mately was upheld by the courts. Litigation associated with arbitral immunity continued to make up the largest category of cases. However, challenges to the Board's employee representation decisions again constituted a large portion of the litigation case load. In addition, three efforts to compel the Board's termination of its mediation jurisdiction were resolved favorably, one by an appellate court. The recent decision of the D.C. Court of Appeals in Local 808, International Brotherhood of Teamsters versus National Mediation Board and Metro-North, established a firm judicial indicator of the nature and basis for review in this circuit and should have a salutary effect in eliminating resort to the courts in cases that are not meritorious or seek to delay the process. Other cases involving the Freedom of Information Act and miscellaneous issues were resolved during the fiscal year.

Mr. Natcher: How many mediators are there in the field offices, and at headquarters?

Mr. Javits: Presently nine (9) mediators are located outside the metropolitan D.C. area, the rest, seven (7), are located here.

Mr. Chairman, the National Mediation Board does not want any field offices. Our mediators operate out of their houses, a parsimonious tradition that works well. The mediators, particularly those in the Washington, D.C. area, often come into the office to perform work supplemental to mediation including representation case preparation.

GUILFORD RAILROAD

Mr. Conte: The question about whether the Guilford strike was legal is still in court. Have there been any new developments in that case?

Mr. Javits: The discovery process was extended by the courts through Friday, April 6, 1990. Thereafter, the partisan parties to the litigation, Springfield Terminal and the United Transportation Union, have until April 13, 1990, to submit additional statements. Presumably the circuit court will act on the pending dispositive motions in the near future.

EMERGENCY BOARD PROCEDURES

Mr. Conte: The President just agreed to appoint an emergency board to resolve the contract dispute between the unions and the industry. What are the conditions under which the emergency board will operate?

Mr. Javits: As of the present date, the President has not signed any executive order establishing an emergency board to investigate any dispute between railroads represented by the National Carriers' Conference Committee of the National Railway Labor Conference and certain labor organizations. However, the Board, on April 2, 1990, urged the parties, the carriers and the organizations, to submit their controversies to arbitration as provided in Section 8

of the Act. The organizations and the carriers declined in writing to submit their controversies to arbitration. For this reason, the Board, on April 5, 1990, served notice that its services were terminated that date under the provisions of the Railway Labor Act. Unless an emergency board is created, the parties will be able to resort to self-help after May 5, 1990.

Mr. Conte: When will the work of the emergency board be completed?

Mr. Javits: As of the present date, no emergency board has been established under the Railway Labor Act to investigate a dispute.

Mr. Conte: One of the big issues facing the emergency board is health care. What implications does resolution of this issue hold for other industries and unions?

Mr. Javits: In the event there is an emergency board created in connection with national handling of railroad collective bargaining, health and welfare would be one of the issues. During the past few years, and especially during 1988 and 1989, this many-faceted issue has impacted most contract negotiations in many industries.

It would be inappropriate for the Board to intrude in this area which may be the exclusive concern of a Presidential Emergency Board. If a board is created, the parties will have the opportunity to present their cases to the board which in due course, will make its recommendations on the issues.

Mr. Conte: What percentage of the Mediation Board's time and resources is spent on railroad matters?

Mr. Javits: I estimate that about 40 percent of the Board's mediatory time and resources are spent on railroad matters.

EMPLOYEE REPRESENTATION UNDER MERGERS

Mr. Conte: In November the Board issued new procedures for handling employee representation issues created by mergers, acquisitions or consolidations. How will the new procedures affect the workload of the Board?

Mr. Javits: If the caseload generated by the airline merger procedures, which were issued in July 1987, is any indication, there will be an increase in the Board's workload. The Board's railroad merger procedures allow the unions and carriers to invoke the Board's services to determine the representation status of railroad employees in merger situations. Unlike airline mergers, which have taken place only since 1978, the railroads have acquired and merged with each other for several decades. Currently, the Board has cases before it involving three major railroad carriers, covering several crafts or classes of employees.

Mr. Conte: How will the procedures change the nature of the Board's determination of who shall represent a particular craft or class?

Mr. Javits: The Board's investigatory process of the representation questions raised by airline mergers is quite detailed and thorough. Every craft or class of employees on a given carrier may be affected by the merger. The procedures do not radically change the Board's pre-merger procedures for craft or class determinations. They establish, in essence, that the Board itself, and not the carriers, may extinguish certifications, where appropriate. The procedures provide fairness and balance as well as predictability and stability to the merger process which benefits all parties.

Mr. Conte: Under the new procedures, what options are given to carriers that are faced with losing their certification?

Mr. Javits: The Board does not issue nor terminate certifications of carriers. Certifications are issued to organizations or individuals who seek to represent employees for collective bargaining purposes. Organizations who may have their certifications terminated because of mergers are and will be given opportunities to submit position statements and evidence prior to the date the Board takes any action with regard to the certifications. In general, organizations which may have their certifications terminated are provided with the option of filing for elections within 60 days of the Board's merger decision. Incumbent organizations need only to support their applications with a 35 percent showing of interest.

STAFFING

Mr. Conte: You're proposing to keep your FTEs at the same level. Will this be sufficient to meet the Board's mission?

Mr. Javits: At this time, subject to unexpected circumstances, we believe that 58 FTEs will be adequate in meeting the Board's mission.

Mr. Conte: Does this budget provide for the 1990 and 1991 pay increases:

Mr. Javits: The budget provides for full funding of general pay increases and executive pay increases during both fiscal years.

TRAVEL

Mr. Conte: Other than salary increases the only other increase you're asking for is in travel. Your travel table on page 27 says the Board is increasing the number of travelers and the length of trips. For FY 1991 you're requesting an additional 81 travel days. What is your justification for this?

Mr. Javits: Some of our mediators retired in fiscal year 1989. We hope to have a full complement of mediators by the end of this fiscal year and for FY 1991. This will increase the number of trav-

elers and travel days. We expect that mediators will travel more in handling a larger caseload.

Mr. Conte: How many more trips can be taken with the additional $25 thousand?

Mr. Javits: On the average, a trip costs $623.00, therefore, $25,000 will cover about 40 business trips.

WORKLOAD

Mr. Conte: Your workload tables on page 39, show that over 6,000 public law board cases were withdrawn in FY 1989. What caused this sudden decrease in the number of cases?

Mr. Javits: The unusually large number of cases withdrawn from public law boards in FY 1989 was caused by requiring the parties to number and assign a subject code to each pending case.

We believe the number of pending cases on public law boards is now more realistic. As information, in FY 1990 we are requiring the same information be provided for special boards of adjustment.

RAILWAY LABOR ACT

Mr. Conte: Why were the railroad and airline industries put under a different law than other industries?

Mr. Javits: Labor relations in the rail and airline industries were put under a separate law because Congress determined both provide transportation services essential or important to daily life and the fact that substantial disruptions in either industry have the potential for disrupting the national economy. Railroads provide a service that cannot be stockpiled and, for many bulk commodities, for which there is no adequate substitute. The airlines were put under the Act because along with the railroads they are the two key transportation industries in the United States and the airlines, therefore, required the special stability provisions provided by the Act. The heart of the Railway Labor Act, according to a 1969 Supreme Court decision, is — to exert every reasonable effort....to settle all disputes....to avoid any interruption to commerce. The Act has proved extremely effective in achieving this basic mandate because it encourages the settling of disputes through a process of negotiation, mediation and arbitration. Work stoppages are still possible, but only after all processes of the Act have been exhausted.

Mr. Conte: Do these industries still warrant unique treatments?

Mr. Javits: The Board believes so. One former Secretary of Labor told the Congress that the Railway Labor Act -- embodies the fullest and most complete development of mediation, conciliation and

voluntary agreement and arbitration that is to be found in any law governing labor relations. Your question, however, is complex and merits a full and comprehensive answer.

Certainly, we have seen numerous examples of traditional rail shipments shifted to trucks. A good example is the U.S. mail. However, there are products essential to our economy that would or could not readily switch to a competing mode of transportation. In this connection, I am thinking of the shipments of coal, grain and bulk chemicals.

Next, the Railway Labor Act is the oldest labor-management statute and its emphasis on collective bargaining has proven effective in resolving disputes peaceably. Moreover, the two industries covered, railroads and airlines, have the two biggest proportions of union represented employees divided into numerous crafts and classifications. The instability in the health industry representation area following the changes made in the 1974 health care amendments to the National Labor Relations Act give only a glimpse of what might be expected if craft or class classifications were precipitously altered in the airline and railroad industries. The RIA has been tested time and again and under widely contrasting circumstances, such as regulation and deregulation, and it has proven its worth as an effective law to govern labor-management relations in these industries.

Further, the National Mediation Board has established a measure of prestige and influence in these industries that merits special consideration. The provisions of the Act leading up to possible application of the emergency board of section 160 of the RIA, effectively provides the Board with the capability to act as a regulator of progression of disputes. The Board constantly seeks to avoid serious disruptions to interstate commerce that could result in application of section 160 and has been extremely successful historically.

Despite the passage of time since the Railway Labor Act's enactment in 1926, the statutory scheme of the Act continues to provide an effective and necessary disputes resolution process for the airline and railroad industries. The 1981 Congress specifically recognized the sensitive nature of even essentially local railroad transportation concerning rail commuter service by the enactment of section 159A of the RIA. Further, relatively recent legislative developments have identified railroad transportation activities as essential transportation service. For example, Public Law 100-429 provided that a local dispute between the Chicago and North Western Transportation Company and the United Transportation Union, quote, threatens to interrupt essential transportation services of the United States, unquote. The subject legislation further provided such services were essential to the national interest and, therefore, that, quote, emergency measures are essential to maintaining the security and continuity of transportation services provided by the Chicago and North Western Transportation Company, unquote. Similar legislation to maintain continuity of railroad transportation services has been enacted in recent years.

Fortunately, the National Mediation Board's stewardship of the Railway Labor Act's mediation process has produced peaceful settlements in over 98.5 percent of all mediation cases during the past eleven years. Clearly, it is only in those instances where a settlement has not been achieved that the matter potentially becomes subject to Congressional action. Absent the Railway Labor Act's effective dispute resolution mechanisms, both the public and the Congress likely would be confronted with the full degree of transportation disturbances characteristic of Western Europe. For example, except for the Railway Labor Act and absent voluntary settlements, simultaneous pilot strikes could occur on major airlines, such as American, United, USAir, Delta and Northwest, which would lead to major disruptions in vacation and business travel. The airlines transport approximately 1.3 million business and vacation travelers per day. With the decrease in intercity bus and passenger rail service, airline transportation has become an essential part of the national transportation system. However, because the United States has been insulated from such adversity for over 55 years, it is easy to overlook the distinct advantages to industrial stability provided by the Railway Labor Act.

LOOKING AHEAD

Mr. Conte: All of us know how difficult the past ten years have been for collective bargaining in the airline and railroad industries. What will the next ten years bring?

Mr. Javits: The short answer is more difficult labor relations, but they will be surmountable, we believe. One trend that is developing is the likely re-emergence of passenger railroad service as a major transporter of people, especially in the most heavily populated areas -- California, the Northeast and the Upper Midwest. Those whose crystal balls might be clearer than ours predict that rail passenger service could see a significant resurgence in the 1990s, not only because of a steady increase in travel by people but also because of the anticipated traffic congestion at an increasing number of major airports and highway congestion.

For the moment, the privately owned Class I railroads are continuing to concentrate on hauling freight and the extent to which they will become directly involved in the predicted re-emergence of passenger service remains to be seen. Given the heavy financial losses suffered earlier in passenger service by these carriers, when air travel became the travel mode of preference, it is likely that these carriers may be reticent to commit large amounts of limited capital resources to return to passenger service until the market for such service is clearly established. This means, in effect, that there likely will be the startup of a number of independent or government-subsidized rail passenger services.

The next ten years, based upon most forecasts and studies, also will see a tighter labor market with fewer available mechanics and pilots for the airlines. This situation will occur at the same time there is an expansion of the airline industry overall. The expansion is expected to see growth also in the regional and national

airline segments, where there has been substantial organizing the past few years which, in turn, has resulted in a significant increase in the establishment of first contracts at many carriers.

Mr. Conte: Will collective bargaining become more concessionary for both industries as we become a world economy?

Mr. Javits: Not necessarily more concessionary, but certainly more complex, especially in the airline industry. It is difficult to predict what future complications may arise in airline labor relations from the still-unfolding deregulations of the rest of the world's airlines and the intense competition that is developing between U.S. and foreign carriers. Adding to the uncertainties are the changes in Eastern Europe and the Soviet Union, which are causing many airlines — both U.S. and foreign — to reassess their long-term strategies. If the airline industry is indeed becoming more global, there may be downward or upward pressure on labor costs, depending on the competition. The railroad industry generally is protected from the world economy by the national frontier. However, the enormous growth of air cargo could produce some competition with freight railroads and lead to pressure on labor costs.

JUSTIFICATION OF THE BUDGET ESTIMATES

NATIONAL MEDIATION BOARD

SALARIES AND EXPENSES

Table of Contents

	Page Number
Activities:	
1. Mediatory services	9
2. Voluntary arbitration and emergency disputes	29
3. Adjustment of railroad grievances	
Referee services	35
Administrative costs	41
Amounts available for obligation	2
Appropriation history	8
Authorizing legislation	7
Detail of permanent positions	45
Language	1
Obligations by activity	3
Obligations by object:	
1. Consolidated	6
2. Activity 1: Mediatory services	28
3. Activity 2: Voluntary arbitration and emergency disputes	34
4. Activity 3: Adjustment of railroad grievances	42
Obligations for information technology systems	43
Summary of changes	4

NATIONAL MEDIATION BOARD

SALARIES AND EXPENSES

For expenses necessary to carry out the provisions of the Railway Labor Act, as amended (45 U.S.C. 151-188), including emergency boards appointed by the President, [$6,384,000] $6,675,000.

NATIONAL MEDIATION BOARD

SALARIES AND EXPENSES

Amounts Available for Obligations

	1990 Estimate	1991 Estimate
Appropriation or estimate.....	6,384,000	6,675,000
Total amount available for obligations..	6,384,000	6,675,000

SALARIES AND EXPENSES

Obligations by Activity
(in thousands of dollars)

	1990		1991		Change	
	FTE	Amt.	FTE	Amt.	FTE	Amt.
1. Mediatory services....	48	3,615	48	3,866	..	251
2. Voluntary arbitration and emergency disputes.....	..	577	..	577	..	..
3. Adjustment of railroad grievances:						
Referee services.....	..	1,600	..	1,600	..	..
Administrative costs..	10	592	10	632	..	40
	58	6,384	58	6,675	..	291

3.

SALARIES AND EXPENSES

Summary of Changes

	FTE	Revised Amount
1990 Appropriation	58	6,384,000
1991 Estimate	58	6,675,000
Total Change	..	291,000

	Change FTE	Change Amount
National Mediation Board		
Activity 1: Mediatory Services		
Increases:		
To provide for full year cost of the 1990 pay raise	..	31,000
To provide for full year cost of the 1991 pay raise for the general and executive schedules	..	133,000
To provide for full year cost of within-grade promotions effective in 1990	..	6,000
To provide for net cost of within-grades, merit pay and promotions becoming effective in 1991	..	18,000
To provide for increased cost of benefits due to pay raises and other personnel actions	..	28,000
To increase travel funds	..	25,000
To provide for cost of GSA rent	..	14,000
To provide for increase in cost of supplies	..	3,000
Total Increases	..	258,000

	Change FTE	Change Amount
Decreases:		
To reduce amount for printing.....	..	2,000
To reduce amount available for other contractual services.....	..	2,000
To reduce amount available for equipment..	..	3,000
Total Decreases.....	..	7,000
Total Change for Mediatory Services.....	..	251,000

National Mediation Board Activity 3: Adjustment of Railroad Grievances	Change FTE	Change Amount
Increases:		
To provide for full year cost of 1990 and 1991 pay raises.....	..	12,000
To provide for the net cost of within-grades effective in 1991.....	..	2,000
To provide for increased cost of personnel benefits.....	..	2,000
To provide for increased cost of rent based on estimate provided by GSA.....	..	38,000
Total Increases.....	..	54,000
Decreases:		
To reduce cost of FTS per GSA.....	..	9,000
To reduce funds for equipment.....	..	5,000
Total Decreases.....	..	14,000
Total Change for Adjustment of Railroad Grievances.....	..	40,000
Total Change for all activities.....	..	291,000

5.

SALARIES AND EXPENSES

Obligations by Object
(in thousands of dollars)

	Activities 1, 2 and 3 (Consolidated)	1990 Est.	1991 Est.	Change 1990/ 1991
Total number of permanent FTE		58	58	..
Personnel compensation:				
11.1	Permanent positions.....	2,708	2,910	202
11.5	Other personnel compensation.....	27	27	..
11.8	Special personal services payments.....	1,835	1,835	..
	Total personnel compensation.....	4,570	4,772	202
12.1	Civilian personnel benefits.....	412	442	30
21.0	Travel and transportation of persons.....	537	562	25
22.0	Transportation of things.	6	6	..
23.1	Rental payments to GSA...	423	475	52
23.3	Communications, utilities, and other rent.....	199	190	-9
24.0	Printing and reproduction	42	40	-2
25.0	Other services.....	141	139	-2
26.0	Supplies and materials...	42	45	3
31.0	Equipment.....	12	4	-8
99.0	Total obligations.....	6,384	6,675	291

SALARIES AND EXPENSES

Authorizing Legislation

Legislation	Authorized for 1990 and 1991
The Railway Labor Act, as amended.	*

* Indefinite.

SALARIES AND EXPENSES

Appropriation History

Year	Budget Estimate to Congress	House Allowance	Senate Allowance	Appropriation
1978	3,913,000	3,913,000	3,913,000	3,913,000
1979	4,033,000	4,033,000	4,033,000	4,033,000
1980	4,444,000	4,444,000	4,444,000	4,444,000
1981	4,780,000	4,780,000	4,780,000	4,780,000
1982	4,956,000	4,956,000	4,956,000	4,757,760
1983	4,274,000	5,468,000	5,468,000	5,468,000
1984	5,758,000	6,238,000	6,458,000	6,238,000
1985	6,358,000	6,358,000	6,358,000	6,358,000
1986	6,347,000	6,358,000	6,432,000	6,358,000 1/
1987	6,540,000	6,401,000	6,540,000	6,401,000
1988	4,873,000	7,316,000	7,316,000	7,004,000 2/
1989	6,551,000	6,551,000	6,551,000	6,551,000 1/
1990	6,384,000	6,384,000	6,384,000	6,384,000
1991	6,675,000			

1/ Reduced by $273,000 pursuant to PL 99-177.
2/ Includes $100,000 unavailable for obligation pursuant to section 512 of Labor, Health and Human Services, and Education, and Related Agencies Appropriations Act, 1988.
1/ Includes reduction pursuant to PL 100-436, $79,000.

NATIONAL MEDIATION BOARD

SALARIES AND EXPENSES

Activity 1. Mediatory Services (1990, $3,615,000, FTE 48)
(1991, $3,866,000, FTE 48)

Narrative Description of Program

The National Mediation Board, with three members appointed by the President and confirmed by the Senate and a professional staff of forty-five (45) Civil Service employees, performs two distinct functions under the Railway Labor Act, as amended, 45 U.S.C. 151 et seq. First, it mediates disputes over wages, hours and working conditions which arise from time to time between the employees and those railroad and airline carriers subject to the Railway Labor Act jurisdiction. Second, the Board administers the procedures to resolve representation disputes involving labor organizations which seek to represent railroad or airline employees. This function includes investigating the dispute, conducting a hearing when factual or jurisdictional issues arise, and certifying the results of the employees' choice if a representative is elected.

In connection with the mediation function, a party may either request the services of the Mediation Board, or the Board of its own volition may assert jurisdiction over the dispute. In either case, once the Board's services have been invoked the status quo must be maintained and resort to self-help is barred until the procedures mandated by the Act have been exhausted.

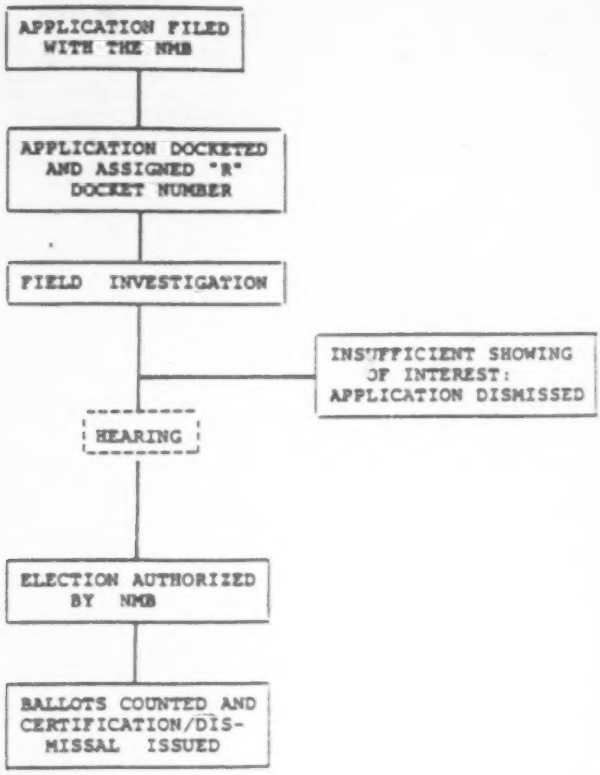
Administrative support of the above-noted principal functions include: (1) overall supervision of office and field personnel; (2) liaison with labor-management representatives and the general public; (3) development of budget data and budget execution; (4) legal advice to Board members and the Justice Department regarding litigation involving the Board; (5) research and record keeping; (6) appointment of referees under section 153 of the Railway Labor Act; and (7) administrative and legal support to the National Railroad Adjustment Board.

Administrative support also fulfills various responsibilities imposed by such corollary statutes as the Rail Passenger Service Act of 1970 (Public Law 91-158) establishing the National Railroad Passenger Corporation (Amtrak); the Regional Rail Reorganization Act of 1973 (Public Law 93-236)

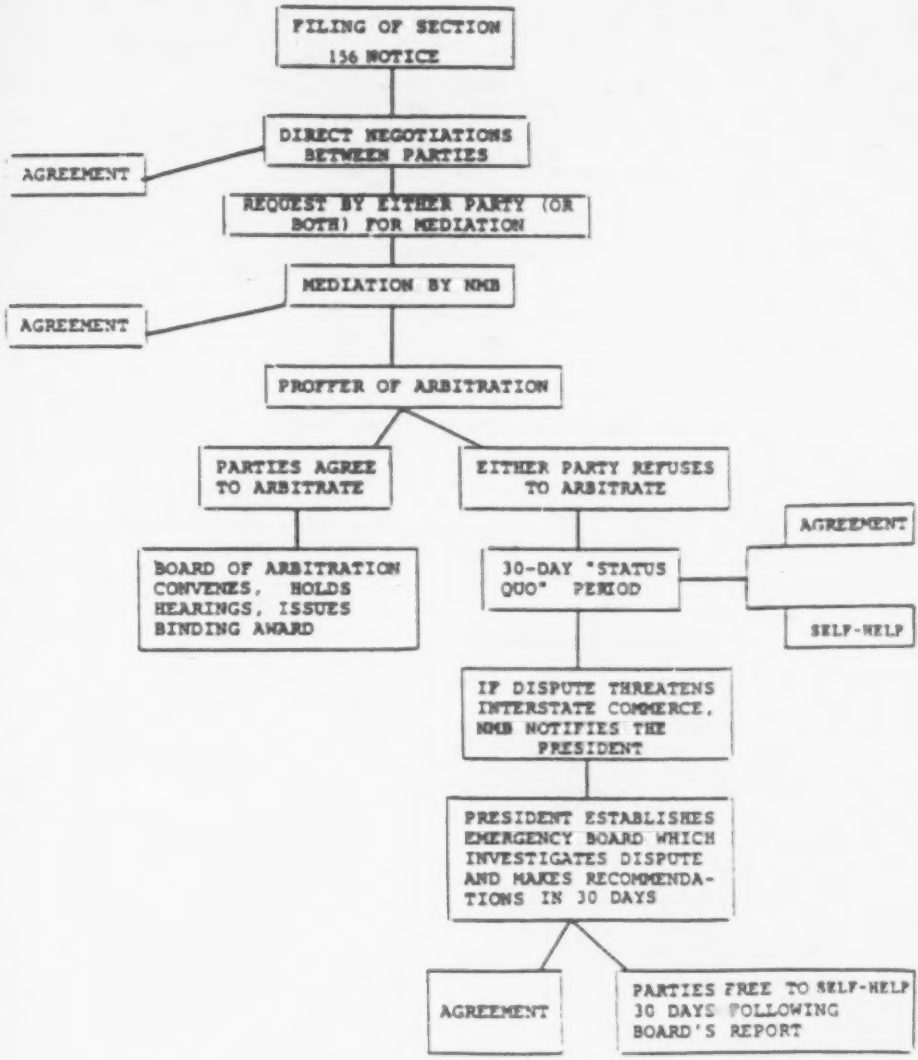
establishing the Consolidated Rail Corporation (ConRail); the Railroad Revitalization and Regulatory Reform Act of 1976 (Public Law 94-210); the Freedom of Information Act (Public Law 93-502); the Government in the Sunshine Act (Public Law 94-409); and the Northeast Rail Service Act of 1981 (Public Law 97-35), as amended.

As an aid to the Board's program description, two schematics outlining the representation procedure and the collective bargaining process under the RLA follow.

REPRESENTATION PROCEDURE UNDER THE RAILWAY LABOR ACT


APPLICATION FILED WITH THE NMB
APPLICATION DOCKETED AND ASSIGNED "R" DOCKET NUMBER
FIELD INVESTIGATION
INSUFFICIENT SHOWING OF INTEREST: APPLICATION DISMISSED
HEARING
ELECTION AUTHORIZED BY NMB
BALLOTS COUNTED AND CERTIFICATION/DISMISSAL ISSUED

COLLECTIVE BARGAINING PROCESS UNDER THE RAILWAY LABOR ACT


FILING OF SECTION 156 NOTICE
DIRECT NEGOTIATIONS BETWEEN PARTIES
AGREEMENT
REQUEST BY EITHER PARTY (OR BOTH) FOR MEDIATION
MEDIATION BY NMB
AGREEMENT
PROFFER OF ARBITRATION
PARTIES AGREE TO ARBITRATE
EITHER PARTY REFUSES TO ARBITRATE
BOARD OF ARBITRATION CONVENES, HOLDS HEARINGS, ISSUES BINDING AWARD
30-DAY "STATUS QUO" PERIOD
AGREEMENT
SELF-HELP
IF DISPUTE THREATENS INTERSTATE COMMERCE, NMB NOTIFIES THE PRESIDENT
PRESIDENT ESTABLISHES EMERGENCY BOARD WHICH INVESTIGATES DISPUTE AND MAKES RECOMMENDATIONS IN 30 DAYS
AGREEMENT
PARTIES FREE TO SELF-HELP 30 DAYS FOLLOWING BOARD'S REPORT

FISCAL YEARS 1990 AND 1991 SUMMARY

The first national bargaining for the railroad industry since 1984 has been complicated further by the fact that selected carriers and unions have chosen to bargain separately, rather than through their respective committees. These actions are a significant departure from past labor-management negotiations in the railroad industry and portend increasing demands on the Board and its mediators. The unsettled health and welfare issues from the 1984 round of bargaining are complicating and fragmenting national bargaining.

The corporate and physical structure of the freight railroad industry also continues to evolve. The pace of mergers between major railroads has slowed but restructuring continues through purchase or transfer of smaller portions of rail systems and acquisitions of, or coordination with, carriers in other modes of transportation, such as trucking and barge lines. Such actions frequently require the involvement of the Board in its administration of the Railway Labor Act.

The airline industry faces an unusually large number of important contract negotiations this year and next year, notably pilot contracts at six of the nine major carriers. These complex and time-consuming negotiations are anticipated to further tax the Board's resources. The Department of Transportation also is scheduled to announce shortly its comprehensive review of the nation's transportation systems and may propose the implementation of new policies.

In the representation area, the Board has witnessed an increasingly frequent number of challenges and objections to all aspects of election procedures. The tendency to challenge election procedures may be connected with the contentiousness between carriers and unions and between unions themselves, which has resulted from deregulation and mergers and intensified competition. This contentiousness may also be a product of the generally increasingly litigious nature of labor relations.

The following table provides the actual mediation and representation caseload for FY 1989 and estimated caseloads for FY 1990 and FY 1991.

	CASELOAD		
	FY 1989 Actual	FY 1990 Estimate	FY 1991 Estimate
Mediation cases:			
Pending, start of year.....	365	375	400
Received during year.....	253	250	280
Closed during year.....	243	225	300
Pending, end of year.....	375	400	380
Representation cases:			
Pending, start of year.....	17	20	20
Received during year.....	102	100	80
Closed during year.....	99	100	80
Pending, end of year.....	20	20	20
FOIA requests received.....	80	92	92
Investigation cases closed..	10	10	10

FISCAL YEAR 1989

A. MEDIATION

The number of railroad and airline mediation cases docketed for action by the National Mediation Board increased significantly during fiscal year 1989, compared to the prior 12-month period. However, the number of open and unresolved cases as of September 30, 1989, was nearly the same as the number outstanding at the same point a year earlier--375 versus 365. By way of comparison, there were 335 open, unresolved cases at the close of FY 1987, and 396 at the end of FY 1986. During FY 1989, 253 mediation cases were docketed, more than double the 123 recorded in the prior year. Most of the sharp year-over-year increase was attributable to the new round of national railroad bargaining.

Some cases are administratively closed or consolidated each year (there were 40 in FY 1988). In 1989, 109 were closed in this manner. Some were consolidated essentially because of national bargaining. Cases are administratively closed when there is an extended period of inactivity, unless a party requests reopening.

Even with this action, however, the Board's mediation docket remained at a relatively high level in fiscal 1989. For example, 134 cases were resolved through mediation in 1989, compared to 53 in 1988--a 153 percent increase. The complexity of many cases also continued to increase, mainly due to mergers, acquisitions and capital restructurings in both the airline and railroad industries.

Although the number of cases resolved last year was influenced by the previously mentioned administrative consolidation of a substantial number of docketed railroad cases, the ability to keep the number of open cases at the end of FY 1989 at 375--only 10 more than at the end of FY 1988--is noteworthy.

Railroads. The mediation of the 1988 round of national railroad bargaining began in FY 1989, even though the 1984 round had not been fully completed. The mediation involves two categories of issues: (1) health and welfare benefits; and (2) wages and work rules. Current negotiations are concentrated on health and welfare items that remain open from the 1984 round. The parties jointly agreed to discuss all unresolved health and welfare issues from 1984, as well as health and welfare issues only from the 1988 round, through intensive mediation. The wage and work rule issues that were resolved earlier in the 1984 round produced unprecedented changes in crewing, pay practices and work rules, especially for the operating crafts. Negotiations in the 1984 round of bargaining involved not only direct negotiations between the parties and then Board mediation, but also the use of emergency boards. Therefore, somewhat understandably, the parties left some highly complex health and welfare issues to be resolved through a Joint Study Commission program. Unfortunately, that process was unsuccessful and the issues returned to the collective bargaining arena.

Difficulties in resolving outstanding health and welfare issues is a reflection of concerns exhibited the past few years by managements and labor organizations throughout the nation. Railroad managements, like their counterparts in other industries, have made controlling corporate health-care costs a top priority, while the industry's labor organizations have mounted strong objections to benefit cuts and increased costs paid by employees. Very difficult issues involving wages and work rules negotiations remain in mediation. In seeking successful resolution of these remaining issues, the Board is keenly aware of the commitment of Congress under the Railway Labor Act to foster a labor relations system that recognizes the importance of maintaining uninterrupted transportation service, while placing substantial emphasis on the collective bargaining process.

The National Carriers Conference Committee of the National Railway Labor Conference (NRLC) traditionally has negotiated collectively on behalf of the nation's major, or Class I, railroads that account for more than 90 percent of the carloads handled by the entire industry. The NRLC also has acted, at the same time, as the bargaining agent for a number of smaller carriers. Under this arrangement, all of these carriers give their powers of attorney to the NRLC committee, which then represents them in talks with national representatives of each of the rail industry's 14 primary unions. In years past, the NRLC committee has negotiated an agreement with each union to apply to all of the participating carriers. During this round, for instance, the NRLC represents 61 carriers involving wages, rules and health and welfare issues. As reported to Congress a year ago, there were predictions that the 1988 round of bargaining could see the start of a possible disintegration of the railroad industry's historical practice of industry-wide bargaining, based on preliminary positions taken by a few of the largest carriers. Many of the delegations of authority by the carriers in the 1988 round have been tentative in nature.

Problems created for the Board by the tentative nature of the delegation of authority granted the NRLC committee by some carriers for the 1988 round of negotiations, and the withdrawal, for some purposes, by a few large carriers, have not proven to be insurmountable at this juncture. However, if independent bargaining becomes the norm in the railroad industry, as it is in the airline industry, the Board's existing resources will become strained and, absent other changes in the long-term, staffing requirements would be increased.

Amtrak, for instance, is not a party to the national bargaining conducted by the NRLC. All of its labor contracts, however, currently are in either direct negotiations between the parties or in mediation. The Board currently is involved in separate mediation of 17 cases with 11 unions on Amtrak involving health and welfare, rates of pay and work rules issues.

As previously indicated, the NMB is presently actively involved in mediation of the 1988 round of national negotiations. Simultaneously, the NMB is also involved in mediation of many local disputes covering the same issues that are involved in the national handling. It is not reasonable to anticipate meaningful progress in the near future concerning the local disputes under the existing circumstances.

For example, negotiations conducted in 1987-1988 between the Chicago & North Western Transportation Co. (CNW) and the United Transportation Union (UTU) resulted in the establishment of Presidential Emergency Board No. 213. The Emergency Board made recommendations, including arbitration, to reduce the size of CNW's crew consist that could result in "conductor only" trains (two-man crew on certain through trains). The recommendations were not accepted by both parties. As a consequence, and faced with a national rail and Chicago area commuter strike threat, Congress adopted the Emergency Board's recommendations and imposed them by statute, P.L. 100-429. Due to this legislation, CNW joined ConRail in the status of achieving reduced crewing by Congressional action. Subsequent to the CNW legislation, several rail systems or portions of systems negotiated reduced crew consist agreements. The latter agreements affected parts of CSX, Southern Pacific Transportation Co., Atchison, Topeka and Santa Fe Railway Co., Union Pacific Railroad Corp., and Norfolk Southern Corp.

The creation of new, independent railroads, either "short-lines," or regional railroads, through sale or lease of lines previously operated by the Class I carriers also has greatly increased the number of operating carriers. Since passage of the Staggers Rail Act of 1980, which partially deregulated rail rates and services, approximately 220 new, small railroad companies have been formed.

Commuter Railroads. Current commuter cases deal mainly with commuter lines serving the heavily populated Northeast region, with the largest of these serving the New York City area: Metro-North Commuter Railroad (Metro-North); Port Authority Trans-Hudson (PATH); and Long Island Rail Road (LIRR). Also involved in the Northeast are the New Jersey Transit Rail Operations (NJTRO) and Southeastern Pennsylvania Transportation Authority (SEPTA). Over 80 individual labor contracts are open for negotiations among commuter carriers during FY 1989 and FY 1990. Based on past experience, the Board anticipates that many of these disputes may continue well into FY 1991 before they are resolved.

All crafts or classes of employees on these railroads are involved in disputes that are subject to section 159a special emergency procedure for publicly funded and operated commuter carriers, which was added to the Railway Labor Act (RLA) through provisions of the Northeast Rail Services Act of 1981 (P.L. 97-35). If a dispute is not resolved under the mediation and arbitration sections of the RLA, any party to the dispute, or the Governor of the State, may request the President to establish an emergency board under this section. The President is required, in these cases, to establish an

emergency board upon such request. This procedure involves the establishment of two Presidential emergency boards, whose combined durations of authority for maintaining the status quo can extend for 240 days.

Commuter railroad fare revenues typically cover only a portion of the budgeted costs for the operations of these lines and any financial deficit is made up by subsidies from the affected state and local authorities, as well as the Federal government. As a consequence, negotiations of these disputes often are protracted and frequently involve difficulties related to concessions and productivity considerations. The inevitable complexity of substantive issues in these disputes, coupled with concurrent negotiations with numerous local unions on neighboring carriers, combine to create frustrations among the parties and add to the difficulties in obtaining agreements.

In an attempt to improve the effectiveness of collective bargaining among this group of carriers, the Board held a three-day Commuter Railroad Conference in January 1989, in Atlantic City, New Jersey. The event brought together more than 200 of the leading management labor relations representatives, labor leaders, and neutrals in the industry to discuss a range of issues of mutual concern. The conference, the first of its kind ever held, addressed the bargaining process and grievance handling. Labor and management candidly gave their perspectives and complaints in this non-confrontational forum. The conference helped to develop new avenues of communication and cooperation between the parties. The Board hopes to build on these initial improvements through additional joint labor-management activities and meetings.

One direct result of the conference was the parties agreed to create a task force made up of representatives of commuter managements and labor organizations to address commuter railroad labor relations issues. The task force was created at the suggestion of the parties and the Board is participating in an ex-officio manner by playing a coordinating role.

Disputes between PATH and three of its unions during their 1985 round of contract talks reflect the type of commitment of staff resources that the Board may sometimes be called upon to make in handling commuter railroad disputes. After more than two years of mediation of these disputes, five Presidential Emergency Boards were created, each of which received assistance from the National Mediation Board. The disputes further involved frequent public interest mediation by a Mediation Board Member, as well as continual mediator involvement. The Board uses all of its resources and skill to seek out

opportunities for settling such disputes because of the complex and sensitive nature of commuter railroad negotiations and the magnitude of disruption that could occur by a strike. The persistent efforts by the Board and its staff in the PATH disputes were rewarded by a peaceful settlement between the parties of one major dispute in 1988 and two remaining disputes in 1989.

Airlines. The intense competition among the airlines that has dominated their actions since their deregulation in late 1978 is continuing and also dominates the industry's labor relations picture. Projections by private economists and analysts, as well as the Department of Commerce, of flat-to-significantly lower traffic in 1990, coupled with higher fuel costs and weaker revenue growth, are likely to intensify competition even further.

The impact of deregulation on labor-management relations, while felt in both the airline and railroad industry, has been more pronounced in the airline industry. To understand how things have changed, it is worthwhile to review how things were under regulation. Under regulation a carrier's routes were protected and fares were set by the government. There was little real competition between air carriers. This transcended into collective bargaining to the extent that there was no real incentive to draw a hard line on employee costs.

With deregulation, new carriers entered the market and, due to their substantially lower cost structures, they undercut the fare charged by the established carriers. In order to compete, the established carriers had to lower their cost structures and sought concessions from their employees in both wages and work rules. The new era of competition forced both labor and management to make major adjustments in their bargaining postures. It is for this reason that labor relations have become increasingly destabilized in the industry and agreements so difficult to reach.

This past year has seen a continuation of difficult and extensive collective bargaining between the industry's carriers and their unions which was highlighted by the strike against Eastern by the International Association of Machinists and Aerospace Workers (IAM), sympathy strikes by the other major Eastern unions, and the carrier's subsequent Chapter Eleven bankruptcy filing. It was only the second time in 20 years that the pilots joined in a sympathy strike with the machinists union.

During FY 1990 and FY 1991, pilot contract negotiations will dominate labor relations in the airline industry--contracts are amendable during this period on six of the nine major airlines (USAir, American, United, Pan American, Eastern and Delta). Extensive negotiations also will occur involving flight attendants, fleet and passenger service employees, mechanics and related, clerical and related, flight engineers, stock clerks, meteorologists and security guards.

Recent experience on Northwest, United and American indicates major airlines also are perceived by some financial buyers as attractive acquisition targets. Should further formal acquisition attempts develop, there could be a direct and important impact on negotiations generally, which, in turn, also could affect the acquisition efforts. It is difficult to make uniform pronouncements regarding the effect of potential merger and acquisition activity on labor disputes. It should be recognized, however, that each such situation further complicates the Board's traditional role in seeking a peaceful resolution of disputes and maintaining the stability of the airline, while at the same time not intruding upon the activities of those involved in takeover attempts.

Mediation of the contract dispute between Northwest and its pilots' union illustrates the impact that merger and acquisition activity has on labor negotiations. Northwest acquired Republic Airlines in 1986, and over the following two years the parties sought to combine two pilot contracts into one, resolve over 250 substantive issues, and integrate the skills, practices, seniority lists, and different corporate cultures of the two pilot groups. Until a new, single contract for both pilot groups was reached, Northwest pilots flew only aircraft belonging to Northwest before the acquisition and Republic pilots flew only the former Republic-owned aircraft.

A many-faceted takeover battle for control of Northwest began in about April 1989, and lasted for several months until one party was successful. During this time, the many uncertainties accompanying the takeover process, particularly questions surrounding the stability of management and ownership, hindered meaningful progress in the negotiations. Fortunately, once the new ownership question was resolved, real progress was made in the negotiations and a ratified agreement was reached in August after eight months of mediation by the Board.

More recently, the takeover events involving UAL, parent of United Air Lines, further dramatized the complexities of labor management relations during an attempted change in own-

ership. In that case, one United union opposed a proposed employee purchase of the company that was supported by the two other primary unions on the property.

The uncertainties within the industry about potential changes in ownership, management and employment levels, as well as the industry's economic outlook, produce unique problems and difficult collective bargaining issues. This lack of predictability can lead to more protracted and more difficult negotiations. The Board's resources, therefore, are expected to be fully utilized, not only for mediation cases but also in cases where union representation is in question.

Among the airline contracts that are amendable during FY 1990 are: pilots on Airborne Express, Aloha, American, Midway, Pan American, Pocono, Sedalia-Marshall-Boonville Stage Line, and United Parcel Service; flight engineers on American; mechanics at Air Midwest, Horizon Air, Southwest, United, United Parcel Service, and USAir, as well as those at the U.S.-based facilities of Aeromexico and Lufthansa; flight attendants at Aloha, and contracts for a variety of other crafts and classes, such as flight dispatchers at Aloha, Continental, and United.

During FY 1991, contracts that are amendable include those for pilots on Alaska, Braniff, Comair, Markair, Simmons and Suburban; flight engineers on Pan American; mechanics on Air Wisconsin, Aspen, Suburban and those at Japan Air Lines' U.S. facilities; flight attendants on Alaska and Southwest; office, clerical, fleet and passenger service on Air Wisconsin, Aloha and Suburban, as well as U.S. employees on Philippine Airlines, and flight dispatchers on Delta.

In addition, increased union organizing of regional and commuter airlines has resulted in the filing of numerous mediation applications. These often involve questions relating to craft and class issues and eligibility. Many of these cases also involve initial contracts, which may be difficult assignments because many of the parties and their respective constituencies are unfamiliar with the collective bargaining process. Recognizing these problems, the Board is conducting a labor-management relations conference in March 1990 for regional and national airlines to discuss collective bargaining and representation procedures and issues of concern.

B. REPRESENTATION

In FY 1989, the Board docketed 102 representation cases, 28, or 38 percent, more than in the prior 12 months and the most since FY 1981, when 125 new cases were received. The

level of new cases filed annually is expected to continue through FY 1990 due to continuing changes in both the railroad and airline industries. Of the new cases filed in FY 1989, 56 involved railroads and 46 airlines.

At the start of FY 1989, there were 17 pending representation cases for both industries, compared to 11 a year earlier. The heavy influx of new cases raised the FY 1989 total case load to 119, with 99 resolved during the year, or an average of slightly more than eight cases monthly.

Deregulation of the airlines and partial deregulation of the railroads has had a significant impact in the representation case area of the Board's activities. The numerous mergers and acquisitions in both industries have presented complex issues unprecedented in the Board's history.

In an effort to assist the parties in railroad cases, the Board in November 1989, issued procedures for handling employee representation issues resulting from railroad mergers, acquisitions or consolidation. They replaced previous interim procedures and were the outgrowth of an initial draft proposal that was distributed to railroad and union officials for comments, which were helpful in formulating the final procedures. Earlier, in August 1987, the Board adopted specific procedures for handling representation issues stemming from mergers, acquisitions and consolidations in the airline industry.

During FY 1989, the Board continued its investigation of representation cases involving Eastern Air Lines and the International Association of Machinists and Aerospace Workers (IAM), the Air Line Pilots Association (ALPA), and the Transport Workers Union of America (TWU). All three unions assert that their representation of various crafts and classes on Eastern should extend as well to Continental Airlines on the theory that both carriers are a single transportation system operated by Texas Air Corporation, owner of both operations.

The record so far in that case consists of 46 volumes of oral testimony totaling approximately 7,800 pages. As a result of a lawsuit filed to obtain certain documents, the Board was granted access to various documents of Eastern and Texas Air. The successful decision in this lawsuit is significant because it upheld the Board's right to obtain information in the form and at the location requested by the agency.

More than 200,000 exhibits were submitted in this case by the Board, the labor organizations and the companies involved--Texas Air, Eastern and Continental. As of this date, the Board has ruled on several motions and appeals of the parties.

FY 1989 saw the operational merger of British Caledonia into British Airways. In that case, because the number of employees on British Airways greatly exceeded those on British Caledonia, the Board held that on the date of the merger, the former U.S. employees of British Caledonia became U.S. employees of British Airways and, as such, were covered by the existing Board certifications on British Airways. This ruling will have a significant impact on the airline and railroad industries as the Board resolves future complex representation cases.

In another case, Piedmont Airlines was operationally merged into USAir on August 5, 1989. Based on the fact that some of the employee crafts or classes were represented and some were unrepresented, and because the merger involved the combining of two comparably-sized airlines, the Board ordered representation elections among employees in four crafts or classes. The largest of these elections involved more than 8,000 fleet service employees on the combined carriers. Mail ballots for this election, one of the largest ever held by the Board based on the number of employees affected, were mailed December 15, 1989, and will be counted January 30, 1990, at the Board's headquarters. In this case, the affected USAir employees have been represented by the Teamsters Union, while the Piedmont employees have been unrepresented. The Teamsters initially filed an application to have their certification on USAir extended to include the Piedmont employees, a request that was denied because of the comparability of number of affected employees on each carrier. As of the cutoff date established by the Board's August 4, 1989, merger decision, there were approximately 4,263 fleet service employees on Piedmont and 4,434 on USAir. The Board decided that the question of representation of the employees in the craft or class of fleet service on the merged carrier was best solved by an election.

Earlier in the fiscal year, there was also the operational merger of Flying Tigers, one of the founders of the air freight industry, into Federal Express Corporation. This acquisition presented the Board with its first case involving the merger of air freight carriers, as opposed to passenger carriers. In reviewing the case, the Board found that although Federal Express employed significantly more total peo-

ple in the aggregate than Flying Tigers, there was a parity in the number of pilots on each airline. ALPA was the long-time certificated collective bargaining agent for Flying Tigers' pilots, while Federal Express pilots were unrepresented.

Based on the general parity in numbers of pilots on each carrier--approximately 930 Flying Tigers' pilots and 1,092 Federal Express pilots--the Board declined to terminate ALPA's certification at Flying Tigers until an election could be held to determine the majority's wishes on the merged carrier. In the ensuing election, ALPA received only 709 votes from the 2,022 eligible voters. The combined pilot group thus became unrepresented by any organization. ALPA subsequently filed allegations of carrier interference in the election process, which were investigated and dismissed. The IAM also filed for elections on the merged carrier, which involve substantial numbers of employees in the crafts or classes of mechanics and related personnel, fleet service, stock clerks and flight planners. The application involving fleet planners subsequently was dismissed due to an insufficient showing of interest. The applications involving the other crafts and classes are pending.

Several representation cases involving Key Airlines, a subsidiary of WorldCorp, required extensive investigation during FY 1989 into some of the most serious allegations of carrier interference in employee rights to self-organization that had been presented to the Board in the past few years. The allegations were filed by the Teamsters Union in connection with elections that they lost affecting pilots, flight engineers and flight attendants. After careful consideration of the record, the Board concluded that Key had engaged in "egregious interference" and that re-run elections, with remedial ballot procedures, were necessary to allow the employees to freely exercise their wishes concerning collective bargaining representation. One of three re-run elections resulted in the certification of the Teamsters Union as the collective bargaining agent of the flight attendants. The Teamsters lost the other two elections.

As a result of the Board's interim merger procedures governing railroad mergers, which preceded the previously mentioned more detailed procedures issued on November 28, 1989, several railroads invoked the services of the Board regarding employee representation certificates on their expanded systems. As of this writing, all of these requests are still pending. Included is a request by the Grand Trunk Western Railroad for the Board to terminate representation certificates on the Detroit, Toledo & Ironton Railroad and the Detroit & Toledo Shore Line Railroad Company. In another

case, the Burlington Northern Railroad has requested the termination of certificates on its predecessor railroads. Decisions on these cases are expected in FY 1990, and will be the first under the Board's November 1989 merger procedures.

An earlier railroad representation case, which originally involved the relatively small Central of Georgia Railroad, ended up encompassing all the railroad subsidiaries of the Norfolk Southern Corporation, including several Class I railroads. This complex proceeding illustrates the representation effects of the mergers and acquisitions that have been taking place in the railroad industry the past few years.

The Board's investigation of the Central of Georgia revealed, for example, that, while the carrier maintained its own identity for certain limited matters, for purposes of the Railway Labor Act it was an integral part of the Norfolk Southern Corporation's group of railroads. Best known in the group are the Norfolk and Western Railway and the Southern Railway. As a result of the investigation, it was found for the first time that the Norfolk and Western and the Southern Railway constituted a single system for purposes of representation.

As a result of that decision, the United Transportation Union (UTU) filed an application for representation of locomotive engineers on the entire Norfolk Southern system. The request amounted to an attempt to replace the Brotherhood of Locomotive Engineers (BLE), which represented the locomotive engineers. The election, held in June 1989, involved approximately 3,000 employees and was one of the largest railroad representation cases handled by the Board in the past several years. In a ballot count in which the turnout exceeded 80 percent of the eligible voters, the UTU lost the election to the incumbent BLE.

C. HEARING ACTIVITIES

Hearings are conducted to compile a sufficient record to make determinations on matters where factual differences exist between the parties or where the Board must examine an issue not previously considered.

In FY 1989, the Board continued to hold hearings on the question of whether Eastern Air Lines and Continental Airlines constitute a single transportation system for purposes of the Railway Labor Act (see page 22).

In FY 1990 and 1991, the Board may conduct hearings on issues arising from mergers in the railroad and airline industries and in any other situations where appropriate.

D. LEGAL ACTIVITIES

The high level of litigation directly affecting NMB programs continued during FY 1989. In all instances, the NMB's position ultimately was upheld by the courts. During FY 1989, 24 legal cases were closed by the General Counsel's office, up from 20 cases in FY 1988.

Cases dealing with arbitral immunity and challenges to representation decisions constituted a large portion of the cases litigated. Other litigation involved efforts to compel the NMB's termination of its mediation jurisdiction, Freedom of Information Act, and miscellaneous issues.

ANALYSIS OF TRAVEL

Under the RLA, the National Mediation Board maintains its office in the District of Columbia. All operations are directed from Washington, D.C. No field offices are maintained resulting in a considerable saving to the Government. A staff of 20 field mediators travel throughout the country to meet the needs of the Board in providing services to its constituents as mandated by the Railway Labor Act. The ability to travel is crucial to the mission of this agency.

The following table reflects actual travel days for fiscal years 1988 and 1989, and estimates for 1990 and 1991.

For FY 1991, the Board is requesting $310,000 to cover an increase in travel days and increased cost of subsistence.

FY	Total Travel Days	Cost per Travel Day	Total *	Number of Travelers	Travel Days per Traveler
1988	1,075	205.58	221,000	25	43
1989	1,251	199.80	250,000	24	52
1990	1,404	202.90	285,000	26	54
1991	1,485	208.70	310,000	27	55

* Also includes administrative travel cost and travel incurred in assisting emergency board members.

SALARIES AND EXPENSES

Obligations by Object
(in thousands of dollars)

Activity 1: Mediatory Services	1990 Est.	1991 Est.	Change 1990/ 1991
Total number of permanent FTE	48	48	..
Personnel compensation:			
11.1 Permanent positions.....	2,418	2,606	188
11.5 Other personnel compensation.....	25	25	..
11.8 Special personal services payments.....	5	5	..
Total personnel compensation.....	2,448	2,636	188
12.1 Civilian personnel benefits.....	335	363	28
21.0 Travel and transportation of persons.....	285	310	25
22.0 Transportation of things.....	5	5	..
23.1 Rental payments to GSA...	286	300	14
23.2 Communications, utilities, and other rent...	109	109	..
24.0 Printing and reproduction.....	27	25	-2
25.0 Other services.....	83	81	-2
26.0 Supplies and materials..	30	33	3
31.0 Equipment.....	7	4	-3
99.0 Total obligations.....	3,615	3,866	251

NATIONAL MEDIATION BOARD

SALARIES AND EXPENSES

Activity 2. Voluntary Arbitration and Emergency Disputes.

(1990, $577,000)
(1991, $577,000)

Narrative Description of Program

Under the terms of section 160 of the Railway Labor Act, if a dispute between a carrier and a labor organization threatens to interrupt interstate commerce, the President may create an emergency board to investigate and report to him on the dispute within 30 days. These boards serve a major purpose in focusing attention on issues involved in contract disputes which could seriously disrupt the economy of the nation. The parties are allowed adequate time to consider the emergency board's report and resolve their differences based upon the objective recommendations of the impartial board.

The compensation of emergency board members is fixed by the President with a maximum rate specified by law. An emergency board may be composed of such number of persons as the President designates.

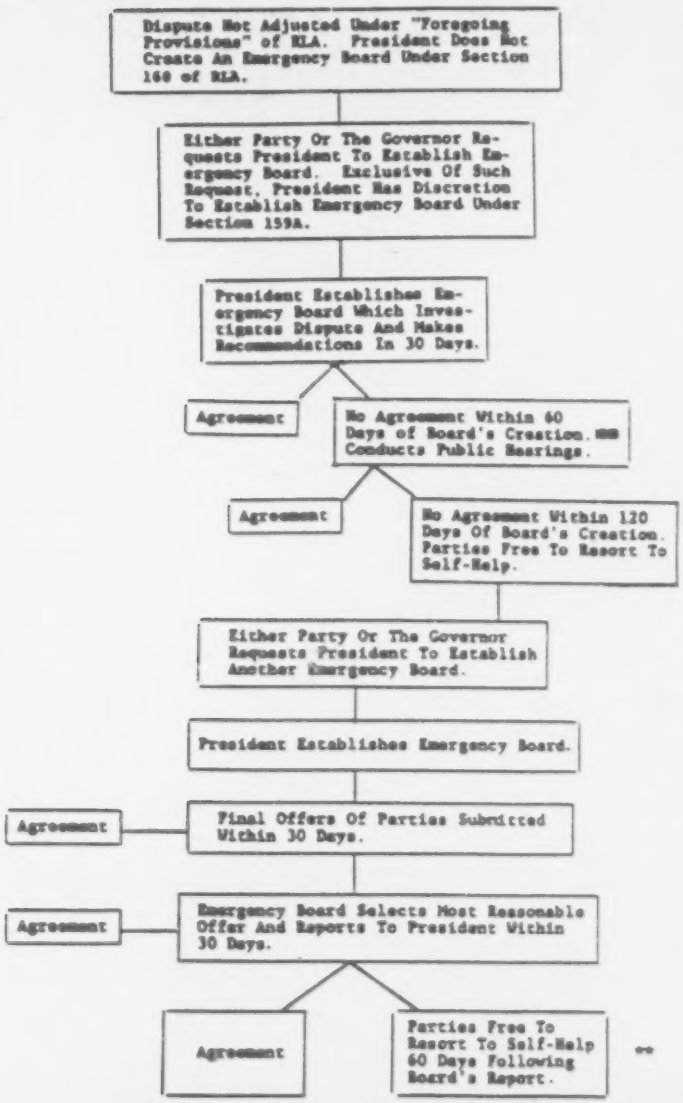
Section 155, Third (a) of the Railway Labor Act provides that when mediation of a major dispute is unsuccessful, the Board shall endeavor to induce the parties to submit their controversy to arbitration under the provisions of section 157 of the Act. The railroad industry has repeatedly utilized arbitration boards to decide certain types of dispute issues which could otherwise result in interruptions to interstate commerce.

Generally, arbitration boards consist of three members, a representative of the carrier and of the organization, and a third neutral member. The compensation of the neutral member is fixed by the Mediation Board. The duration of an arbitration board may be more than one year.

The Northeast Rail Service Act of 1981 amended the Railway Labor Act by adding section 159a which provides a new emergency dispute procedure for publicly funded and operated commuter carriers and their employees. If a dispute is not resolved under the mediation and arbitration sections of the RLA, any party to the dispute, or the Governor of the State, may request the President to establish an emergency board. The President is required to establish an emergency board upon

such request. If no settlement is reached within 60 days following the creation of this board, the National Mediation Board is required to conduct a public hearing on the dispute. Should there still be no settlement 120 days after the creation of the emergency board, any party may request the establishment of a second emergency board. Under this section, a status quo period could be in effect for more than 240 days from the time when the first emergency board was created. A schematic describing the section 159a procedure follows.

PROCESS UNDER SECTION 159A OF RAILWAY LABOR ACT


Dispute Not Adjusted Under "Foregoing Provisions" of RLA. President Does Not Create An Emergency Board Under Section 160 of RLA.
Either Party Or The Governor Requests President To Establish Emergency Board. Exclusive Of Such Request, President Has Discretion To Establish Emergency Board Under Section 159A.
President Establishes Emergency Board Which Investigates Dispute And Makes Recommendations In 30 Days.
Agreement
No Agreement Within 60 Days of Board's Creation. ms Conducts Public Hearings.
Agreement
No Agreement Within 120 Days Of Board's Creation. Parties Free To Resort To Self-Help.
Either Party Or The Governor Requests President To Establish Another Emergency Board.
President Establishes Emergency Board.
Agreement
Final Offers Of Parties Submitted Within 30 Days.
Agreement
Emergency Board Selects Most Reasonable Offer And Reports To President Within 30 Days.
Agreement
Parties Free To Resort To Self-Help 60 Days Following Board's Report.
**

** If emergency board selects carrier's final offer and employees strike, employees ineligible for railroad unemployment benefits during period of strike. If emergency board selects employees' final offer, which carrier refuses to accept, carrier ineligible for strike benefits from any agreement between carriers should employees strike.

In FY 1989, two emergency boards were created under section 159a of the act involving the Port Authority Trans-Hudson Corporation and certain employees represented by the Transportation Communications Union, Carmen Division, and the Brotherhood of Locomotive Engineers. The emergency board reports and recommendations were used by the NMB as a basis for reaching negotiated settlements. The total amount obligated during FY 1989 for emergency boards was $38,000.

Twelve arbitration boards were created during FY 1989. The amount of $32,000 was obligated for the arbitration boards that convened.

One of the arbitration boards that convened is Arbitration Board No. 419, established pursuant to the 1982 national rail agreement between the United Transportation Union and the National Railway Labor Conference. This arbitration board functions to resolve disputes arising over the elimination of cabooses. Various neutrals appointed to this board have issued awards covering the elimination of cabooses on eleven major carriers.

The arbitration of the continued use of cabooses, as described in Article X of the United Transportation Union's national agreement, is an on-going national program. The United States will seek to avail themselves of this program. As a result, the Board recognizes that funding for the program will be needed throughout the foreseeable future.

In accordance with the Congressional understanding, the unobligated balance of $507,000 in this contingency fund for FY 1989, which is limited to arbitration boards, emergency boards and factfinding panels, has been lapsed.

In FY 1990, the Mediation Board cannot precisely predict the number of emergency boards that may be created during any given year. A number of factors are involved in making this estimate, particularly economic conditions on both the national and local levels.

Arbitration boards continue to be used by the parties as a means of resolving major disputes which otherwise might disrupt interstate commerce. Based on past experience, the Board estimates that 12 boards will be created during FY 1990.

Factfinding panels composed of public members appointed by the Board may be set up to recommend changes in operating practices and procedures to improve productivity to the greatest extent practicable on ConRail. The authority for these factfinding panels is the Northeast Rail Service Act of 1981.

The amount of $577,000 is available during FY 1990 for emergency boards, arbitration boards and factfinding panels. Unused funds will be lapsed.

In FY 1991, the estimates for both emergency boards and arbitration boards are based on past experience. The Board is requesting a contingency amount of $577,000 to cover expenses of these boards and the factfinding panels. Unused funds will be lapsed.

	Number of Boards Created		
	1989 Actual	1990 Estimate	1991 Estimate
Arbitration Boards.....	12	12	11
Factfinding Panels.....	0	1	1
Emergency (sec. 160).....	0	1	0
Emergency (sec. 159a).....	2	1	1

SALARIES AND EXPENSES

Obligations by Object
(in thousands of dollars)

Activity 2: Voluntary Arbitration and Emergency Boards		1990 Est.	1991 Est.	Change 1990/ 1991
Total number of permanent FTE		...	...	...
Personnel compensation:				
11.8	Special personal services payments.....	390	390	...
	Total personnel compensation.....	390	390	...
12.1	Personnel benefits: Civilian.....	24	24	...
21.0	Travel and transportation of persons.....	80	80	...
23.2	Communications, utilities, and other rent...	20	20	...
24.0	Printing and reproduction.....	15	15	...
25.0	Other services.....	48	48	...
99.0	Total obligations.....	577	577	...

NATIONAL MEDIATION BOARD

SALARIES AND EXPENSES

Activity 3. Adjustment of Railroad Grievances: Referee Costs

(1990, $1,600,000, 25 Independent contractor work-years)
(1991, $1,600,000, 25 Independent contractor work-years)

Narrative Description of Program

Under the 1934 amendment to the Railway Labor Act, the National Railroad Adjustment Board was created to hear and decide disputes involving railroad employee grievances and questions concerning the application and interpretation of rules.

The Adjustment Board is composed of four divisions in which the carriers and organizations representing the employees are equally represented. The jurisdiction of each division is described in section 153, First (h) of the Act.

The First Division has jurisdiction over disputes involving train and yard service employees; the Second Division, shop crafts; the Third Division, clerical, maintenance-of-way, signal and dispatcher forces; and the Fourth Division, water transportation and miscellaneous classifications. The members of the Board, who sit in Chicago, are selected and assigned by the carriers and by the labor organizations whom they represent. The Board considers disputes referred to it and endeavors to reach agreements to adjust them. In the event of a deadlock, a neutral person is selected to sit with the members to dispose of the dispute.

The National Railroad Adjustment Board adjusts approximately 15 percent of all disputes arising between an employee or group of employees and a carrier or carriers, growing out of grievances involving the interpretation or application of agreements concerning rates of pay, rules, or working conditions. The remainder are handled by other adjustment boards as noted below.

A special board of adjustment (SBA) is a tribunal set up by agreement, usually on an individual railroad, and with a single labor organization, to consider and decide specifically agreed-to dockets of disputes arising out of grievances or out of the interpretation or application of provisions of a col-

lective bargaining agreement. Such disputes otherwise would be sent to the National Railroad Adjustment Board for adjudication as provided by section 153 of the Railway Labor Act, but in these instances, the parties, by agreement, adopt the special board procedure in order to secure prompt and local disposition of these disputes. The SBA had its inception in the late 1940's.

In an effort to reduce the caseload of various divisions of the National Railroad Adjustment Board (NRAB) an amendment to the RLA in 1966 allowed the creation of Public Law Boards (PLB). In general the amendment authorizes the establishment of these boards locally on individual railroads upon the written request of either a representative of the employees or of the railroad to resolve disputes otherwise referable to the NRAB and disputes pending before the Board for 12 months. The amendment provides that all awards of the NRAB and other boards of adjustment established pursuant to the amendments are final, including money awards. There is limited judicial review.

The National Mediation Board has adopted rules and regulations defining responsibilities and prescribing related procedures under the amendment for the establishment of special boards of adjustment, their designation as public law boards, the filing of agreements and the disposition of records.

In addition to neutrals appointed to public law boards to dispose of disputes involving grievances, interpretations, or application of collective bargaining agreements, neutrals may be appointed to dispose of procedural issues which arise as to the establishment of the public law board itself.

In the airline industry, which also comes under the RLA, grievance disputes are settled by system boards of adjustment the cost of which is paid by the airlines and unions.

For over 50 years the railroad industry has been the only private industry for which the Federal Government has financed the adjustment of employee grievances. During this period, approximately $57 million of Federal funds have been spent administering the system and paying the arbitrators. Over 200,000 employee disputes have been decided, providing the parties a substantial body of precedent to rely upon.

As a result of a unique conference sponsored in October 1985 by the National Mediation Board, "Grievance Handling and Labor Arbitration in the Railway Industry", rail labor and management established a bipartisan committee to review the entire grievance handling process. The inaugural meeting of

this committee was held in December 1986. The members agreed to meet on a regular basis in both full committee and through subcommittees. The Board believes that the parties are committed to developing more streamlined and responsive approaches to better serve the 350,000 persons presently employed in the railroad industry.

Some positive changes have already been achieved with the committee's help, such as: uniform rules for all four divisions of the National Railroad Adjustment Board; no travel authorized for neutrals with 50 or more cases heard and not decided; using a neutral's productivity as well as the number of cases pending and the number of cases heard and not decided in determining the monthly allotment of work days.

Effective January 1, 1989, all arbitrators were required to use a travel agency with a Federal contract which has significantly reduced transportation costs. The savings in travel costs were used for salaries.

In addition, a uniform numbering system was implemented for Public Law Boards and Special Boards of Adjustment as well and cases were to be categorized by subject matter. The subject matter categorization is the basis for a generic subject index of disputes and decisions which it is expected will be used by the parties to be dispositive of such claims before they are brought to final and binding arbitration. As a result of the information provided by the parties the NMB has been able to reduce the pending caseload by 6,377 cases. This reduction was accomplished without the necessity of expending Federal funds for neutral workdays or travel costs. Two other benefits that we anticipate will be derived from this action are: reduce the cost of disputes resolution for the government and the parties and secondly, bring claims that must be arbitrated to speedier conclusion.

Other avenues of improvement are being pursued.

Working with the National Railway Labor Conference, an organization composed of most rail carriers and the Railway Labor Executives Association, an organization composed of most rail unions, the Board hopes to reduce costs and improve the decision-process through a variety of measures, such as requesting the parties' cooperation in using arbitration procedures only for out-of-service cases and precedent-setting rules cases, and using stare decisis whenever possible on rules cases. Also, encourage the parties to establish special tribunals, with tripartite arbitrators to decide rule disputes that arise frequently, and once such decisions are rendered, make them final without resorting to further arbitration of the same issue. If arbitration were restricted to these types

of claims, money would be saved as well as achieve faster disposition of claims. It must be understood that the Board can only use its powers of persuasion in these matters since there is no statutory authority to require compliance.

The FY 1991 budget request of $1,600,000, for the adjustment of railroad grievances envisions full funding for the entire year. This amount is the same as available for FY 1990.

An analysis of resources follows.

Analysis of Referee Resources

	Estimates:	Salaries		Travel	
	Total $	$	Days	$	Days
FY 1988	2,299,000	2,135,000	9,705	164,000	500
FY 1989	1,948,000	1,759,000	7,995	189,000	520
FY 1990	1,600,000	1,440,000	6,545	160,000	420
FY 1991	1,600,000	1,440,000	6,545	160,000	420

Statements follow as to the three tribunals' workload through 1991.

In FY 1989, 185 new public law boards were established and 340 were convened. In addition, seven special boards of adjustment were established and 40 were convened. In total the above noted boards closed 12,030 cases including 6,377 cases withdrawn or decided by the parties. The Adjustment Board closed 993 cases.

In FY 1990, it is anticipated that the number of cases closed by PLBs and SBAs will be 5,500. The Adjustment Board anticipates that it will receive 1,081 new cases and that 900 cases will be closed. While work will continue for the entire year, due to increased demands for referee days the Mediation Board will monitor the number of days referees may work each month to insure there will be no shutdown in FY 1990.

In FY 1991, the number of cases closed by PLBs and SBAs is projected to be 5,500. It is anticipated changes inaugurated by the NMB in conjunction with the NRLC and RLEA will increase decision productivity per work day. Should this occur, the number of cases closed would be revised upward. The Adjustment Board anticipates that 820 cases will be received and that 867 cases will be closed.

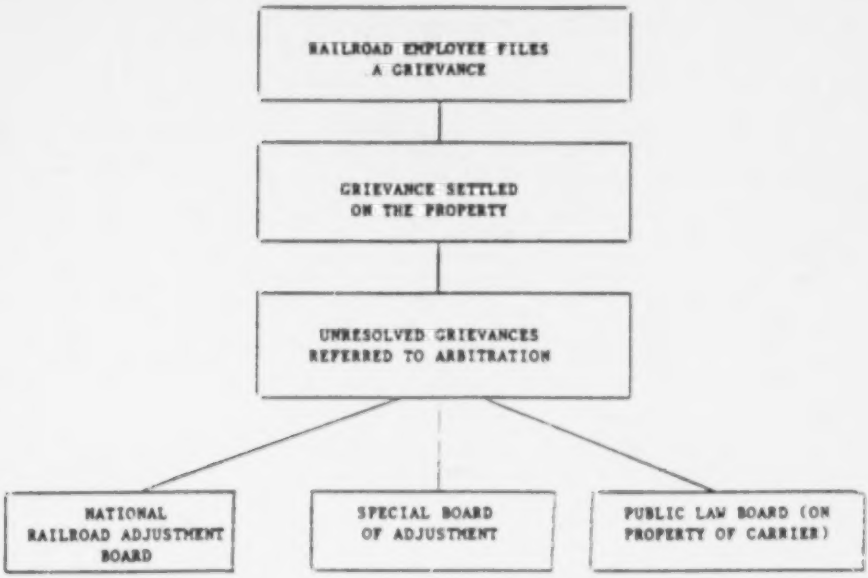
	WORKLOAD ACCOMPLISHMENTS		
	1989 Actual	1990 Estimate	1991 Estimate
Public Law Boards:			
Cases pending start of year.	14,932 1/	10,567	9,567
Cases received during year..	6,037	3,000	3,000
Cases closed during year....	10,402 2/	4,000	4,000
Cases pending end of year...	10,567	9,567	8,567
Special Boards of Adjustment:			
Cases pending start of year.	5,081 1/	5,139	5,139
Cases received during year..	1,686	1,500	1,500
Cases closed during year....	1,628 3/	1,500	1,500
Cases pending end of year...	5,139	5,139	5,139
NRAB:			
Cases pending start of year.	1,503 1/	1,179	1,360
Cases received during year..	669	1,081	820
Cases closed during year....	993 4/	900	867
Cases pending end of year...	1,179	1,360	1,313
Number of boards convened:			
Special boards of adjustment	40	40	40
Public law boards.....	340	340	340

1/ Based on NMB computer analysis; parties to confirm data.
2/ Includes 6,377 cases withdrawn or decided by the parties.
3/ Includes 120 withdrawn or decided by the parties.
4/ Includes 878 awards by referees, 8 awards by NRAB members, and 107 cases withdrawn.

A schematic outlining the grievance machinery process follows.

GRIEVANCE MACHINERY FOR RAILROADS UNDER

THE RAILWAY LABOR ACT


RAILROAD EMPLOYEE FILES A GRIEVANCE
GRIEVANCE SETTLED ON THE PROPERTY
UNRESOLVED GRIEVANCES REFERRED TO ARBITRATION
NATIONAL RAILROAD ADJUSTMENT BOARD
SPECIAL BOARD OF ADJUSTMENT
PUBLIC LAW BOARD (ON PROPERTY OF CARRIER)

NATIONAL MEDIATION BOARD

NATIONAL RAILROAD ADJUSTMENT BOARD

SALARIES AND EXPENSES

Activity 3. Adjustment of Railroad Grievances: Administrative Costs

(1990, $592,000, FTE 10)
(1991, $632,000, FTE 10)

This request covers all administrative expenses attendant to the adjustment of minor grievances in the railroad industry under Section 153 of the Railway Labor Act.

The number of employees requested for the administrative office and executive secretary area for fiscal year 1991 is ten (10), the same as projected for FY 1990. Five employees are required to conduct the day-to-day operation of the four divisions of the National Railroad Adjustment Board. The rest of the employees, five, are involved with the administration of all three tribunals under Section 153 of the Railway Labor Act, i.e., Public Law Boards, Special Boards of Adjustment and the National Railroad Adjustment Board.

SALARIES AND EXPENSES

Obligations by Object
(in thousands of dollars)

Activity 3: Adjustment of Railroad Grievances		1990 Est.	1991 Est.	Change 1990/ 1991
Total number of permanent FTE		10	10	..
Personnel compensation:				
11.1	Permanent positions.....	290	304	14
11.5	Other personnel compensation.....	2	2	..
11.8	Special personal services payments.....	1,440	1,440	..
	Total personnel compensation.....	1,732	1,746	14
12.1	Civilian personnel benefits.....	53	55	2
21.0	Travel and transportation of persons.....	172	172	..
22.1	Transportation of things.	1	1	..
23.1	Rental payments to GSA...	137	175	38
23.2	Communications, utilities, and other rent.....	70	61	-9
24.0	Printing and reproduction	..	..	..
25.0	Other services.....	10	10	..
26.0	Supplies and materials...	12	12	..
31.0	Equipment.....	5	..	-5
99.0	Total obligations.....	2,192	2,232	40

NATIONAL MEDIATION BOARD

Obligations for Information Technology Systems

In FY 1989, the NMB participated in the accounting time-sharing effort of the Department of Treasury (Financial Management Service). Due to a switch in accounting software by the Department of Treasury, the effort to automate the Board's accounting system was delayed one year but is expected to begin in fiscal year 1990.

The Board's internal ADP efforts in FY 1989 included implementation of work and travel databases to facilitate efforts in improving productivity and in making the best use of travel funds. Additionally, the Referee Activity System was expanded to track individual Public Law Board (PLB) cases. This change was accompanied by a decision by the NMB to track the subject matter of PLB cases being processed under section 153 in an effort to achieve a more realistic caseload.

In the area of communications the NMB completed the installation of new telephone equipment, giving the Board much needed capabilities such as speed dialing, line transfers and telephone conferencing.

In FY 1990 and FY 1991, the Board expects to direct its attention to indexing Board determinations, providing the General Counsel with automated law-searching capabilities, automating the Board's agreement maintenance system, and improving home office communications with its field mediators.

None of these new initiatives are major systems as defined by the OMB. The cost of operating these automated information systems (AIS), both new and existing, is estimated to be $306,000 in FY 1990 and $312,000 in FY 1991.

Part of the total obligations for technology systems is the cost of the required constant communication maintained between headquarters and the Board's officials who travel throughout the 50 states and territories.

NATIONAL MEDIATION BOARD
OBLIGATIONS FOR INFORMATION TECHNOLOGY SYSTEMS
(in thousands of dollars)

	1989 Actual	1990 Estimate	1991 Estimate
1. Capital Investments ($000)			
A. Purchase of hardware....	23	7	4
B. Purchase of software or other equipment.....	7	5	5
C. Site.....	5	1	2
Subtotal.....	35	13	11
2. Personnel			
A. Compensation, benefits and travel ($000).....	111	122	125
B. Workyears.....	(2)	(2)	(2)
Subtotal.....	111	122	125
3. Equipment Rental, Space & Other Operating Costs ($000)			
A. Lease of equipment.....	2	2	2
B. Space.....	15	15	16
C. Supplies and other.....	4	6	7
Subtotal.....	21	23	24
4. Commercial Services ($000)			
A. ADP time.....	...	...	5
B. Leased telecommunications services.....	23	24	27
C. Operations and maintenance.....	29	34	34
D. Systems analysis and programming.....	...	...	5
E. System design and engineering.....	...	...	5
F. Studies and other.....	4	6	11
Subtotal.....	56	64	87
5. Interagency Services ($000)			
A. Payments.....	81	84	65
B. Offsetting collections..	...	...	...
Subtotal.....	81	84	65
6. Intra-agency Services ($000)			
A. Payments.....	...	...	...
B. Offsetting collections..	...	...	...
Subtotal.....	...	...	...
7. Other Services ($000)			
A. Payments.....	...	...	...
B. Offsetting collections..	...	...	...
Subtotal.....	...	...	...
TOTALS			
Total obligations.....	304	306	312
Workyears.....	(2)	(2)	(2)

NATIONAL MEDIATION BOARD

Detail of Permanent Positions

	1990 Estimate	1991 Estimate
Executive Level III	1	1
Executive Level IV	2	2
ES-6	1	1
Subtotal	4	4
GS/GM-15	12	12
GS/GM-14	9	10
GS/GM-13	1	2
GS-12	7	5
GS-11	6	6
GS-10	3	3
GS-9	2	2
GS-8	3	3
GS-7	5	5
GS-6	1	1
GS-5	3	3
GS-4	2	2
Subtotal	54	54
Total permanent positions	58	58

TUESDAY, APRIL 3, 1990 .

OCCUPATIONAL SAFETY AND HEALTH REVIEW COMMISSION

WITNESSES

EDWIN G. FOULKE, JR., CHAIRMAN
LARRY A. HOSS, DIRECTOR OF ADMINISTRATIVE SERVICES
JAN WILLIAMS, EXECUTIVE DIRECTOR
EARL R. OHMAN, JR., GENERAL COUNSEL
PAUL TENNEY, CHIEF ADMINISTRATIVE LAW JUDGE
RAY DARLING, EXECUTIVE SECRETARY

Mr. NATCHER. At this time, we take up the budget request for fiscal 1991 of the Occupational Safety and Health Review Commission.

We have before the subcommittee, Edwin G. Foulke. Before we start with the questions, tell us who you have there with you at the table.

Mr. FOULKE. Thank you, Mr. Chairman.

It is a pleasure to be here on our appropriation request.

To my immediate left is Mr. Larry Hoss, our Director of Administrative Services.

Beside him is Ms. Jan Williams, the Review Commission's Executive Director.

On my immediate right is Mr. Earl Ohman, our General Counsel for the Commission.

Beside him on his right is Chief Judge Paul Tenney, Chief Administrative Judge for the Commission.

Behind me is Mr. Ray Darling, our Executive Secretary who also acts as our Clerk of the Court for the Commission.

In the back of the room is Linda Whitsett, our Public Information Director.

Mr. NATCHER. We will place your entire statement in the record in its entirety, Mr. Foulke, and if it is all right with you, we will go right to the questions.

[The information follows:]

Statement of Edwin G. Foulke Jr., Chairman
Occupational Safety and Health Review Commission

Mr. Chairman, it is my distinct privilege to present for your consideration the fiscal year 1991 appropriation request for the Occupational Safety and Health Review Commission. The Commission's requested funding level for FY 1991 is $6,401,000, which is an increase of $431,000 above the FY 1990 funding level. The requested funding level will support an authorized staffing level of 85 FTE's, which is the same level as FY 1990.

The Occupational Safety and Health Review Commission (OSHRC) is an independent adjudicatory agency established under the Occupational Safety and Health Act of 1970 (29 U.S.C. 651 et seq.). The Commission is composed of three Commission members appointed by the President by and with the advice and consent of the Senate. Its sole purpose and program is to assure the just and expeditious adjudication of disputes between the Occupational Safety and Health Administration, OSHA, (an agency of the Department of Labor) and employers charged with violations of safety and health standards established by OSHA.

Adjudication of such disputes is accomplished at the first level by proceedings before the Commission's Administrative Law Judges (ALJ). A case which cannot be concluded by amicable settlement, or upon motion is decided by an Administrative Law Judge after an administrative trial conducted in accordance with the Commission's Rules of Procedure and the Administrative Procedure Act. All decisions by ALJ are subject to review by the full Commission, upon a direction for review ordered by any one Commissioner. Unless a case is directed for review within 30 days, the ALJ's decision becomes the final decision of the Commission by operation of the Occupational Safety and Health Act of 1970 (Act). If directed for review, a case is decided by the three Commissioners sitting as a collegial body. The cases are usually decided on the basis of briefs filed by the parties, although oral argument may be requested by the parties or ordered by the Commission. The Act requires a quorum of two Commissioners and the affirmative vote of two Commissioners for any official action.

As I indicated earlier, the initial thrust of the Review Commission's program is the first level adjudication of cases by the Commission's corps of administrative law judges. The review of cases by the Commissioners is essentially to assure consistency and uniformity in the adjudicatory process, to provide precedents in novel circumstances or in the application of new OSHA standards, and where appropriate, to provide new directions, as guides to the administrative law judges. Furthermore, the Commission provides an inexpensive and expeditious means for parties to have these disputes fully resolved.

During FY 1989 3,564 new contested cases were filed with the Commission, which was a 30% increase above the FY 1988 level. The Commission's budget request is based on estimates that approximately 4,200 new cases will be filed in FY 1990 and 5,000 new cases will be filed in FY 1991. These estimates in new cases continue the trend of significant increases in the number of new cases that began in FY 1987. Consistent with our estimates, recent public statements by the Department of Labor's Deputy Assistant Secretary for Occupational Safety and Health and the Department's Solicitor suggest that substantial increases in the number of new cases in FY 1990 and FY 1991 will result from actions and staff increases by those two Department of Labor programs.

Actions taken by the Commission to improve case assignment and processing procedures and to appoint attorney-advisors to assist in the Administrative Law Judge Program have proven successful. Productivity has increased in the ALJ program 40% from FY 1988 to FY 1989. Despite large numbers of new cases, only a modest increase in the ALJ backlog of cases has been incurred during the past two years. However, there is concern that present staffing levels may be inadequate to continue to absorb case load increases at the ALJ adjudication level. Should continued productivity increases not be possible, the result could be sizable increases in the backlog of cases at the administrative law judge level.

At the Commission review level, 51 cases were issued during the approximately 5 months that a quorum existed in FY 1989. As a result of my confirmation by the U.S. Senate, I am now able to direct new cases for review, and presently there are 85 cases awaiting Commission review. Many of these, however, are difficult cases presenting a multitude of important and complex issues. As soon as the remaining Commission members are confirmed, the review caseload is expected to rise quickly and substantially to become proportionate with the caseload at the ALJ level. A combination of factors including three new Commission members, a backlog of complex cases, a substantial increase of new cases, and a limitation on staffing at the review level--may result in insufficient staffing at the review level.

This concludes my opening statement to the Committee. I and other senior officials of the Review Commission stand ready to answer your questions.

PROGRAM CHANGES

Mr. NATCHER. Mr. Foulke, this is the first time you have appeared before our subcommittee, I believe. What are some of your personal goals and priorities as far as the Commission is concerned? What do you have in mind?

Mr. FOULKE. Mr. Chairman, you are correct this is my first time before the committee. This is my fourth full week with the Commission.

Perhaps the most significant change I am going to be bringing to the Commission is a reinstitution of oral arguments before the Commission. This will allow the Commission to fully examine all the issues and also allow each of the parties to present their positions, while pointing out the deficiencies of the opposing parties' position. At the same time, it will allow the Commission to examine those issues that have been directed for review before the Commission which the parties may not have responded to in their briefs. This will be one of the major innovations we will be doing this year.

COMMISSION QUORUM

Mr. NATCHER. The Commission has had enough Commissioners to constitute a quorum only five out of the last 36 months. How seriously has this compromised the Commission's ability to conduct its statutory responsibilities?

Mr. FOULKE. Very little, Mr. Chairman. All cases that petition to the full Commission are first directed to the administrative law judge for a hearing. During the time that the Commission did not have a quorum, the number of cases that were being heard by the administrative law judges were unaffected by that lack of a quorum.

The only impact the lack of a quorum has had was for those cases that were not able to be directed for review. The only time period affected was when the last acting chairman left, a recess appointment ending in November 1989 until I was sworn in on March 8th. The petitions coming in for review could not have been directed to the full Commission. However, once an administrative law judge's decision became a full Commission order under the 30-day rule as provided in the act, then the parties could petition the Court of Appeals for review.

Mr. NATCHER. Will you have a quorum this month?

Mr. FOULKE. This particular month, Mr. Chairman, I doubt it. The Senate Labor and Human Resources Committee meets tomorrow. The two Commission nominees, Dr. Velma Montoya, and Mr. Don Wiseman, are not presently on the Labor Committee agenda, although I was informed the other day they may still be added. The committee meets again for an executive session and mark-up on April 25. We are hopeful that they will be on that mark-up. If they are recommended out of the committee at that time, hopefully, the full Senate would confirm them, within a couple of days after that, and we would have them on board in early May.

DIRECTION FOR REVIEW

Mr. NATCHER. In the absence of a quorum, what alternatives do the parties have if they disagree with an administrative law judge's decision? How do you handle it?

Mr. FOULKE. Mr. Chairman, when you have an absence of two commissioners, if there is still one commissioner, that commissioner can direct a case for review irregardless of whether there is a petition for review made or if there is not a petition for review made.

If there are no commissioners on the Commission at the time, and after the ALJ's decision has been before the Commission for 30 days, then that decision becomes the final Commission decision and the parties could petition the Court of Appeals for review of that particular case.

Mr. NATCHER. What does it cost to appeal an administrative law judge's decision to the Court of Appeals and also, if you will, tell us how does this compare to the cost of an appeal through Commissioner Review?

Mr. FOULKE. I am not sure exactly what it costs to go to the Court of Appeals. I know it is quite expensive. My experience in private practice when we were representing clients, it would cost anywhere from $20,000 to $50,000 to go to the Court of Appeals based on preparation time and the amount of time for briefs and additional cost, because the requirements are much more technical at the Court of Appeals; whereas the cost of going to the Commission by an employer or employees would be much more nominal because the cost of preparing those types of of briefs, and so forth is not as expensive as it would be for the Court of Appeals.

Also probably 30 to 40 percent of our petitions are pro se where the employer appeals to the Commission on his own and, therefore, does not have the attorney's costs that would normally be associated with a Court of Appeals appearance, and you do not have the court costs normally associated with Court of Appeals appearances.

Mr. NATCHER. During the period that you have lacked a quorum, what share of pending cases have been appealed to the courts? Can you give us some idea?

Mr. FOULKE. Mr. Chairman, as I understand, at present, during the period of time from late November, 1989 through March of 1990, we had approximately 17 petitions for review to the Commission. Since there was no commissioner there to direct a review, the 30-day rule was invoked. Of those 17 petitions for review, approximately eleven cases have been appealed to the Court of Appeals at this time.

CASE BACKLOGS

Mr. NATCHER. Once you achieve a quorum, how long do you think it will take to clear up the backlog of contested administrative law judge cases?

Mr. FOULKE. Having a quorum on the Commission should not affect the administrative law judges since they have been processing the cases and have been holding hearings on the cases.

With respect to the Commission backlog, I am hesitant to use the term backlog because it implies we have cases that are delinquent

when, in fact, there may be some cases that are delinquent but then there are other cases which, in the three weeks I have been with the Commission, I have directed for review. I would not consider any case delinquent that briefs have not been received in yet. Hopefully, we should be able to get the time between the petition being granted and the actual decision by the Commission to a reasonable time. It should take us a year to a year and a half.

Mr. NATCHER. Mr. Conte, I yield.

Mr. CONTE. Mr. Foulke, it is a pleasure to welcome you here today, and to welcome you to the Review Commission.

I also want to welcome Jan Williams who has joined the Commission's staff as executive director.

Mr. FOULKE. That has been one of my best decisions so far.

Mr. CONTE. Your report mentions that two nominees to the Commission are awaiting confirmation in the Senate. When do you expect the nominees to be confirmed?

Mr. FOULKE. I am hopeful the Senate Labor Committee will consider Dr. Montoya and Mr. Wiseman at the April 25 meeting of the labor committee. The committee has a meeting tomorrow, however, they are not presently on the agenda. There is a possibility they will be. I would be hopeful if they are not on that agenda, they will be on April 25th, and I would be hopeful we would have them onboard in May.

Mr. CONTE. Does it usually take that long?

Mr. FOULKE. I have limited experience in this area. I was nominated back in September and, of course, the Thanksgiving and Christmas recess resulted in delays for the committee to get back into session. Actually, I was considered at the first meeting when the committee returned which was the end of February.

I would say it averages between four and six months because the committee does its investigation also.

Mr. CONTE. Do these members of the Commission usually fill out their full term?

Mr. FOULKE. As I understand it, in the past they have. We have had a number of recess appointments that went through completely and I know almost all of the other commissioners who have been confirmed filled out their entire term.

ABATEMENT

Mr. CONTE. In January, a special report issued by the Bureau of National Affairs, quoted a Washington attorney as saying, about the Commission, that "cases can sit there for six or seven years and the cited company is not required to abate the violation while the matter of pending." What is your response to that accusation?

Mr. FOULKE. I think I am familiar with the statement you read. I think it would be more apropos back in the 1975 era, but not since the vacancies on the Commission have been such in the past five years. I think there are only three cases at the present time that fall under the definition that the Washington attorney set forth. Of those three cases, I know that in one of them, the abatement has already occurred. In the other two cases, I believe abatement has occurred. They were construction cases and they would have been abated.

I would accept the responsibility and the challenge that all cases are properly decided and, with respect to the older cases, I will be giving them high priority. They are very complicated cases. That is probably one of the reasons they have not been previsouly decided.

Mr. CONTE. Also because you didn't have a quorum?

Mr. FOULKE. Yes.

Mr. CONTE. You can't do much without a quorum.

Mr. FOULKE. That is a difficult problem and when a quorum of two members exist there is a possibility that they will split. In thoses cases, you have to have a third member to break the tie and, in the aforementioned cases, the two Commissioners on the Commission probabaly did not agree.

Mr. CONTE. When a full slate of commissioners finally does begin work, what will it take for them to reduce the backlog to a reasonable level?

Mr. FOULKE. As I indicated earlier, I am hesitant to classify it as a backlog because it does take about six months for cases to be fully briefed. I would hope we could get the other two Commissioners onboard and with the hard work and cooperation of the members—and I think we have that based on discussions with them. I hope within a year to a year and a half we would have the pending cases down to a reasonable time period where they would be briefed properly and decided on immediately.

EXCESS FUNDS

Mr. CONTE. You must have reserve money now because you have not had commissioners. How much have you saved during that period?

Mr. FOULKE. We have had excess funds in the past without having commissioners onboard. The Commission has taken the position to return those excess funds to the Treasury. I believe we have some figures on exactly how much money has been returned.

Mr. CONTE. You can supply that for the record.

[The information follows:]

	Salaries and expenses	Amount returned to Treasury
Fiscal year		
1985	$6,143,000	$444,000
1986	5,647,000	335,000
1987	5,750,000	458,000
1988	5,885,000	487,000
1989	5,845,000	62,000
1990	5,970,000	

REVIEW ALJ DECISIONS

Mr. CONTE. Does the review commissioner examine all administrative law judges' decisions?

Mr. FOULKE. All ALJ decisions are reviewed preliminarily even if there is not a petition for review by one of the parties, which would be either the Department of Labor, or the employer or, in some cases, the employees' representatives or the employees themselves.

Normally the general counsel's staff has been reviewing these decisions. The Commissioner's staff will give them a more thorough examination to make sure no novel issues are strictly decided by the administrative law judges and also to determine if there are conflicting decisions between ALJs. Those decisions will be reviewed by the Commission, which I think was the intent of Congress when the Occupational Safety and Health Act was enacted in 1970.

Mr. CONTE. Decisions by the administrative law judges must be pending 30 days before the Commission. If no commissioner directs a review, the judge's report becomes final. In the Commission's early years, what percentage of decisions by the judges were typically accepted by the Commission? In the earlier years, what was the backlog?

Mr. FOULKE. Between 1978 and 1989, the percentage of cases that were granted review by the Commission ranged between one and five percent. Last year, that range was about one percent. Before 1977, review by the Commission was approximately 5 to 17 percent of administrative law judges' decision, and I think that figure is pretty much holding steady now by one or two percent. The cases pending review has ranged from a level of 763 in 1976 to 86 cast at the present time.

Mr. CONTE. Can a case go directly from an administrative law judge to the appellate courts, thus skipping the Commission?

Mr. FOULKE. Only when there are no commissioners of the review level.

Mr. CONTE. Has this option ever been used?

Mr. FOULKE. We have had cases, more particularly this past November through March when I came onboard. There were 17 cases where a petition for review was filed and there were no commissioners to grant review. Then the cases could be brought up directly to the Court of Appeals.

I might clarify my earlier statement. If we have a petition for review and no commissioners grant that petition, then that ALJ decision would become final and the parties could appeal it to the Court of Appeals. Therefore, there could be review by the Court of Appeals when commissioners are present but none of the commissioners decided to direct review of that particular case.

PRO SE CASES

Mr. CONTE. Employers can represent themselves before the Commission themselves, without a lawyer right?

Mr. FOULKE. Yes, sir.

Mr. CONTE. With your law experience, do you think that is a good idea?

Mr. FOULKE. Approximately 30 to 40 percent of our cases are pro se cases. That is where the employer represents himself. That does not include the cases where counsel to a corporation, in-house counsel represents a corporation, but where an employer represents himself; Our procedural rules are pretty straightforward. When a case is docketed, the Commission sends the employer a copy of our procedural rules so the employer can be familiar with

them. They are given the information and they should know the procedure they need to follow.

I think our administrative law judges, when we have a pro se employer, take that into account and if there is a question, they provide the assistance in explaining the rules during the hearings or even prior to that if there are any procedural requirements such as filing an answer to the Department of Labor's complaint or filing motions or whatever.

COMMISSION STAFFING

Mr. NATCHER. The budget appendix indicates a Full-Time Equivalent ceiling of 79 for 1990, yet your justification reflects 85. What is the discrepancy here, Mr. Foulke?

Mr. HOSS. Mr. Chairman, the Commission would have employed 85 FTE's during 1990 had we had a full Commission staff. The 79 represents the actual number of FTE's that we expect to use for the year 1990. For 1991 we expect a full ceiling of 85 FTE's.

Mr. NATCHER. Why do you estimate an additional 21 percent increase in administrative law judge cases between 1990 and 1991?

Mr. FOULKE. Mr. Chairman, I think there are a number of factors that have influenced the increase in the number of cases.

We had a build-up of cases in fiscal year 1988. We had 2,700 contested cases. Last year, we had 3,500 cases. We are anticipating the increase because, as we understand it, for fiscal year 1991, there will be an increase of 200 inspectors at OSHA in the Department of Labor which will result in more inspections by the Department of Labor which should result in more contested cases before the Commission.

Also, OSHA has recently enacted certain standards or promulgated of certain standards, specifically the blood borne pathogens standard is presently under final consideration. The Department of Labor anticipates that will impact on about 2,000,000 employees throughout the country. Also the expansion of the hazard communication standards to all industries will increase the number of citations and also the number of contested cases.

The air contaminant standard was expanded to the construction, maritime and agricultural industries. Furthermore, you are seeing a lot of emphasis by the Department of Labor and OSHA in the area of ergonomics, cumulative trauma disorders, and record-keeping violations which are resulting in a large number of citations which in turn has resulted in more contested cases. We anticipate that will continue.

Mr. NATCHER. How much of your equipment and supplies funding was obligated in the last three months of 1989?

Mr. FOULKE. I believe the figure is $64,000 out of $219,000.

Mr. NATCHER. Mr. Foulke, we want to thank you and your associates for appearing before our committee at this time in behalf of your budget request for fiscal year 1991. I hope you soon have a quorum. This has been a good hearing. Thank you very much.

The committee will now recess until two o'clock this afternoon.

[Questions and answers for the record and the justifications follow:]

Caseload

Mr. Natcher: Have staff at the Commission review level been assigned other duties during the absence of a quorum?

Mr. Foulke : Yes. Some case preparation and drafting of opinions for the Commission's administrative law judges was performed by attorneys in the General Counsel's office. Also, clerical staff at the review level supplemented their normal duties with typing and clerical work for the judges.

Mr. Natcher: In 1990, the enforcement resources of the Occupational Safety and Health Administration were increased by 10%. How and when do you expect the increased emphasis on enforcement to impact on caseload at the Commission?

Mr. Foulke : An increase by 10 percent of OSHA enforcement resources in FY 1990 is expected to substantially contribute in an increase in the number of adjudications before the Commission in late 1990 and in FY 1991.

Mr. Natcher: The maximum allowable civil penalties under the Occupational Safety and Health Act have not increased since the Act was passed in 1970. In your opinion, would increasing the maximum penalties result in fewer employer violations?

Mr. Foulke : The Commission's caseload would very likely increase as an increased penalty amount would cause more employers to contest citations. The number of violations per se would probably not be affected unless more citations were issued. In all probability, it would give rise to extensive litigation that would certainly impact the Commission's caseload.

Mr. Natcher: Your January budget estimates a 17% increase in the number of administrative law judge cases between 1989 and 1990. Have you revised your estimates based on actual six month data?

Mr. Foulke : The FY 1990 estimate of 4,100 new cases to be assigned to the Commission's administrative law judges continues to be the current estimate for FY 1990. This is based upon the rate of new cases docketed for the first six months of FY 1990 and the expectations for the last half of FY 1990. The number of new cases docketed for the first six months of this fiscal year are almost equal to the first six months of FY 1989. Historically, the Commission receives a higher volume of cases during the last half of the fiscal year than it does during the first half of the fiscal year. Based upon this and continued inspection emphasis by the OSHA enforcement program, the Commission's estimate of an increased number of contested cases to be adjudicated by the administrative law judges is still valid.

Disposition Time

Mr. Natcher: What is the current median time between docketing and disposition of an administrative law judge case and how has this changed over the past three years?

Mr. Foulke : The average time for the disposition of an administrative law judge case for FY 1989 was 256 days from the time of assignment for a decision following a hearing on the merits and 109 days for all other dispositions. For FY 1988, the average time for disposition following hearing was 237 days from the time of assignment and 88 days for all other dispositions. In FY 1987, the average time for disposition following hearing was

239 days from the time of assignment and 97 days for all other dispositions. The time from case docketing to assignment averaged 75 days in FY 1987 and has been reduced to a current average of 37 days.

Mr. Natcher: Has there been a change in the number of California review cases since the State resumed its independent regulatory program?

Mr. Foulke : In FY 1989, contested cases from California represented approximately 10% of the national caseload. Currently, California cases represent less than one percent of the national caseload.

Administrative Support Costs

Mr. Natcher: In 1989, the Commission spent $219,000 on equipment, although only $10,000 was originally requested in this category. What equipment was purchased and how did you reallocate funds to finance it?

Mr. Foulke : The major portion of funds expended for equipment during FY 1989 was directed in the case processing area. Those fund expenditures were required to upgrade the data processing equipment for case tracking and processing purposes and to upgrade the duplication equipment in each of the Commission's offices to more efficiently process the case load.

The lack of a quorum and associated staff vacancies at the Commission review level during the past fiscal years have resulted in substantial amounts of unused appropriated funds being returned to the Treasury Department each year. The Commission's appropriation is a "Salaries and Expenses" appropriation and funds for the necessary equipment upgrades were used from other cost areas within that appropriation that came under

the estimated required amounts for the fiscal year.

Mr. Natcher: Last year you estimated that $112,000 would be spent on supplies and materials in 1989. It appears that $195,000, an increase of 75%, was actually spent. What increased needs did you identify?

Mr. Foulke : A large amount of the increased costs for supplies and materials above the FY 1989 estimate was required to provide for automated data processing software programs and other associated word and case processing needs resulting from significantly higher than expected contested case volume.

Mr. Natcher: Why does your request for printing and reproduction increase 66% between 1990 and 1991?

Mr. Foulke : It is expected that the Commission will have a full panel of Commission Members during the second half of FY 1990 and all of FY 1991 which will result in a substantially higher number of Commission decisions being issued than were issued in FY 1988 and 1989. The estimated increase of $10,000 is requested to provide for the increased printing and microfiche costs that will result from the higher Commission decision output.

Mr. Natcher: Why does the funding for civilian personnel benefits increase 20 percent in 1991 when funding for personnel compensation increases only 5%?

Mr. Foulke : That funding increase is required to meet the increased benefits costs associated with the Federal Employees Retirement System (FERS) and the cost of living pay increases in 1990 and 1991.

Case Inventory

Mr. Natcher: What criteria are used to determine whether a case is considered "pending" or "backlogged"?

Mr. Foulke : Because the nature of the cases varies greatly, it is sometimes difficult to determine whether a case should be considered "pending" or "backlogged". As a rule of thumb, and without an explanation in a particular case, a case which is pending before an administrative law judge for longer than the average time of case disposition may be considered to be "backlogged".

At the Commission Review level, there are three criteria: the age of the case, the status of the case, and the case complexity. If a judge's decision is directed for review and is to be decided on briefs, about 6 months will be needed to obtain briefs and prepare the case for decision. The amount of time will be longer if the case is complicated. Some cases can be decided without briefs and therefore issued much sooner. If briefs can be ordered promptly after review is directed, and if case preparation and the decisional process begins as soon as briefs are received, the case should not be considered backlogged.

Mr. Natcher: What is your estimate of the 1991 case disposition time?

Mr. Foulke : With respect to dispositions by the administrative law judges, with additional attorney-advisors as described in the prepared statement, it is estimated that the average time of case disposition would change little from that at the present time, nine and one-half months for dispositions following a hearing on the merits and three and one-half months in all other dispositions.

At the review level, the average age of cases pending should drop by the end of FY 1991 from an average of about two years at the present time to about one and one-fourth years.

Mr. Natcher: What length of time have you targeted as a goal for case disposition?

Mr. Foulke : With the projected rise in case inventories before administrative law judges during FY 1991, and with the requested increase in staff, a target of retaining the present average disposition times is realistic.

At the review level, cases should be issued as quickly as possible consistent with staffing levels. No case should pend over one year and the majority should be issued in 9 months or less.

Supply and Material Cost

Mr. Natcher: Provide a five year table showing the dollars allocated, the dollars expended in the last three months of each fiscal year and the percent of the total allocated for: 1) equipment and 2) supplies and materials.

Mr. Foulke : The requested information is as follows:

FY	FY Equipment Estimate	Fourth Quarter Equipment Actual		FY Supplies Estimate	Fourth Quarter Supplies Actual	
85	133,000	57,000	43%	75,000	4,400	7%
86	93,000	74,000	80%	93,000	7,000	8%
87	77,000	55,000	71%	105,000	12,000	11%
88	203,000	67,000	33%	165,000	32,000	19%
89	219,000	70,000	32%	112,000	13,000	12%

In FY 1987, the Commission began to implement a major revision of word processing equipment, replacing equipment that was approximately eight years old and very inefficient

to operate with personal computers. This was necessary to absorb the increased caseload volume.

Staffing and Caseload Distribution

Mr. Natcher: How many staff are in each of the Commission's four regional offices?

Mr. Foulke : There are eight staff positions in each of the Commission's regional offices located in Boston, Atlanta, and Denver. There are nine positions located in the Dallas, regional office, which includes a reader position to assist a vision impaired administrative law judge.

Mr. Natcher: How is the caseload distributed between the regional offices?

Mr. Foulke : At the present time, each of the Commission's regional offices is assigned 18% - 22% of the pending caseload before the administrative law judges. The Chief Administrative Law Judge's office located in the national office is also assigned part of the caseload.

Mr. Natcher: Are there regional variations in the number of cases reviewed by the offices or is there an attempt to distribute the workload evenly?

Mr. Foulke : There are some regional variations in the number of cases handled by the regional offices; presently Boston has 23.8 percent of the assignments; Atlanta, 21.5 percent; Dallas, 18.5 percent and Denver, 20.4 percent; and Washington handling the remainder. To the extent practical, the workload is distributed evenly.

Willful Violations

Mr. Natcher: What percent of violations are categorized as willful by the Occupational Safety and Health Administration? Do willful violations carry a stiffer penalty?

Mr. Foulke : For FY 1987, FY 1988, and FY 1989, the percent of willful citations issued by the Occupational Safety and Health Administration were 2.5, 0.8, and 1.3, respectively. The Commission does not count the number of willful citations that it receives in each case. The willful citations usually carry higher proposed penalties than other types of violations, however, and thus their probability of being contested is also higher.

A violation that is "willful" or "repeated" carries a maximum civil penalty of $10,000. The same violation without a "willful" or "repeated" characterization would have a maximum penalty of $1,000.

Mr. Natcher: Why is the cost of Office Supplies expected to increase by 138% between 1990 and 1991?

Mr. Foulke : The requested increase of $25,000 represents an approximate 25% increase above the amount required for FY 1990. That increase is based upon additional costs that will be required for a fully staffed Commission and additional supplies required for processing the increased caseload, such as printing and data processing supplies. It should be noted that approximately 65% of these costs are required to maintain law libraries, which are located in each of the Commission's offices.

Executive Pay Increase

Mr. Natcher: How many employees at the Board are affected by the 1991 pay increase mandated by the Ethics Reform Act of 1989?

Mr. Foulke : There are six staff positions that will be affected by that legislation.

Mr. Natcher: What are the cost associated with the increase and are they included in your 1991 request?

Mr. Foulke : The increased pay and benefit costs are estimated to be approximately $120,000. Funds to provide for that increase are not included in the Commission's 1991 budget request because the specific pay increase rates were not known at the time of budget submission.

Staffing Vacancies and Needs

Mr. Conte : Are you fully staffed?

Mr. Foulke : As of April 1, 1990, there were eight vacant positions.

Mr. Conte : Am I correct in understanding, based on the material you submitted, that OMB is recommending that you add an additional attorney-advisor in each regional office?

Mr. Foulke : As part of the FY 91 budget discussion, OMB recommended and the Commission agreed that a second attorney-advisor position be provided to each of the Commission's regional offices to assist the ALJs in meeting the increased caseload that is being experienced and is estimated to continue.

Mr. Conte : Why are these positions necessary?

Mr. Foulke : There was a sharp rise in the productivity of the administrative law judges in FY 1989. The total case dispositions rose approximately 40 percent above the previous year. Much of the increase is attributed to an effective use of one attorney-advisor in each office that is staffed with administrative law judges. The attorney-advisors have assisted in drafting decisions, and have made more time available for judicial involvement in settlements and in conducting of hearings.

The steep rise in productivity has not quite matched the even steeper rise in the number of new cases or contests that have been filed. The FY 1991 estimate of new cases (5,000) is 800 cases above the FY 1990 estimate (4,200). With no requested increase in the number of administrative law judges, additional attorney-advisors are critical to achieving the 4,650 dispositions that have been estimated for FY 1991. As indicated in the prepared statement, the alternative of the limited staffing increase would be a rise in the case inventory.

Mr. Conte : Does the Commission have resources available to do this?

Mr. Foulke : There are sufficient funds in the FY 91 budget request to fund these positions should the Commission's FTE ceiling be increased to provide for them.

Mr. Conte : As a result of not having any Commission members since November, what extra demands have been placed on the Commission staff?

Mr. Foulke : The workload remained largely unchanged over the previous year. Time deadlines were fewer. Greater pressure was put on management to keep up the pace of work and especially to maintain morale in the absence of Commission members.

Mr. Conte : Has the absence of Commissioners made it difficult to get and keep good staff?

Mr. Foulke : No. The average staff turnover rate has been less than 1% per year.

Mr. Conte : What is the average age of cases pending before the Commission?

Mr. Foulke : For cases pending before the administrative law judges, the average age is approximately 135 days. For cases pending at the

Commission review level, the average age is approximately 2 years.

Administrative Cost Decreases

Mr. Conte : You're requesting a reduction of $9 thousand in administrative costs. Where will this savings come from?

Mr. Foulke : The savings come from several areas. Probably, the most significant are in communication costs, administration support and training costs.

Mr. Conte : Your budget indicates that your phone costs will reduce by $12 thousand or about $141 per FTE. What caused this reduction?

Mr. Foulke : As a result of the Commission's conversion to the FTS 2000 network, arranged by the General Services Administration, the long distance costs have been decreased.

JUSTIFICATION OF THE BUDGET ESTIMATES

OCCUPATIONAL SAFETY AND HEALTH REVIEW COMMISSION

TABLE OF CONTENTS

	Page No.
Summary	1
Witness List	2
Appropriation Language	3
Amounts Available for Obligation	4
Obligation by Activity	5
Summary of Changes	6
Obligation by Object	7
Authorizing Legislation	8
Table of Estimates and Appropriation	9
Justification	
A. General Statement	11
B. Program Justification	
1. Commission Review	12
2. Administrative Law Judge Determinations	16
3. Administration	19

SAFETY AND HEALTH REVIEW COMMISSION

1825 K Street N.W., Washington, D.C. 20006

Phone (202) 634-7943

A Summary

The Occupational Safety and Health Review Commission (OSHRC) is an independent quasi-judicial agency established by the Occupational Safety and Health Act of 1970 (84 Stat. 1590; 29 U.S.C. 651-678).

The Review Commission is charged with ruling on cases forwarded to it by the Department of Labor when disagreements arise over the results of safety and health inspections performed by the Occupational Safety and Health Administration (OSHA). Employers have the right to dispute any alleged job safety or health violation found during the inspection by OSHA, the penalties proposed by OSHA, and the time given by OSHA to correct any hazardous situation. Employees and representatives of employees may initiate a case by challenging the propriety of the time OSHA has allowed for correction of any violative condition.

The principal office of the Review Commission is in Washington, D.C. There are also four regional offices where Review Commission judges are assigned.

Review Commission Judges
Occupational Safety Review Commission

Address	Phone
Atlanta, GA 30309 1365 Peachtree St. NE	(404) 347-4197 FTS 8/257-4086
Boston, MA 02109 John W. McCormack Post Office and Courthouse	(617) 223-9746 FTS 8/223-9746
Dallas, TX 75242 1100 Commerce St.	(212) 767-5271 FTS 8/729-5271
Denver, CO 80204 1244 North Speer Blvd.	(303) 844-2281 FTS 8/564-2281

OCCUPATIONAL SAFETY AND HEALTH REVIEW COMMISSION

WITNESS LIST

OHMAN, Earl R.	GENERAL COUNSEL
LYONS, Paul M.	EXECUTIVE DIRECTOR
TENNEY, Paul A.	CHIEF ADMINISTRATIVE LAW JUDGE
HOSS, Larry A.	DIRECTOR, OFFICE OF ADMINISTRATIVE SERVICES
DARLING, Ray H.	EXECUTIVE SECRETARY

OCCUPATIONAL SAFETY AND HEALTH REVIEW COMMISSION

Salaries and Expenses

For expenses necessary for the Occupational Safety and Health Review Commission, [$5,970,000] $6,401,000. Departments of Labor, Health and Human Services, and Education, and Related Agencies Appropriations Act, 1990.

OCCUPATIONAL SAFETY AND HEALTH REVIEW COMMISSION

Salaries and Expenses

Amounts Available for Obligation

	1990	FTE Employment	1991	FTE Employment
Appropriation	$5,970,000	85	$6,401,000	85

Obligation by Activity

	1990 Base		1991 Requested		Increase or Decrease	
	FTE	Amount	FTE	Amount	FTE	Amount
Commission Review	26	$1,893,000	26	$1,984,000	$+	91,000
Administrative Law Judge Determinations	39	2,704,000	39	3,053,000		+349,000
Administration	20	1,373,000	20	1,364,000		- 9,000
Total Obligations	85	$5,970,000	85	$6,401,000	$+	431,000

Summary of Changes

1990 Estimated Obligations	$5,970,000
1991 Estimated Obligations	6,401,000
Net Change	$+ 431,000

	FY 1990 Base	Change from Base
Increases:		
Personnel Compensation Permanent Positions	4,002,000	$+ 206,000
Personnel Benefits	558,000	+ 111,000
Travel	140,000	+ 15,000
Rental Payments	698,000	+ 60,000
U.S. Postal Costs	25,000	+ 5,000
ADP Communication line costs	24,000	+ 1,000
Printing and Microfiche costs	15,000	+ 10,000
Court Reporting cost	145,000	+ 15,000
Commercial Contractor costs	91,000	+ 9,000
Office Supplies	18,000	+ 25,000
Total Increases:		$+ 457,000
Decreases:		
Local telephone	25,000	$ - 5,000
FTS	25,000	- 7,000
National Finance Center Support	27,000	- 4,000
Personnel Training	15,000	- 10,000
Total Decreases		$ - 26,000

Obligation by Object

	1990 Estimate	1991 Request	Increase or Decrease
Full Time Equivalent Employment	85	85	
Full Time Equivalent of other positions	---	---	---
Total Full Time Equivalent Employment	85	85	
Personnel compensation:			
Permanent positions	4,002,000	4,208,000	+206,000
Positions other than permanent	---	---	---
Subtotal Personnel compensation	4,002,000	4,208,000	+206,000
Personnel Benefits	558,000	669,000	+111,000
Benefits for former personnel	---	---	---
Travel and transportation of persons	140,000	155,000	+ 15,000
Transportation costs	10,000	10,000	
Rent, Communications and Utilities:			
Standard level user charges	698,000	758,000	+ 60,000
Other rent, communications and utilities	99,000	93,000	- 6,000
Printing and reproduction	15,000	25,000	+ 10,000
Other service costs (Court Reporting, GSA, Commercial contracts)	340,000	350,000	+ 10,000
Supplies and materials	98,000	123,000	+ 25,000
Equipment	10,000	10,000	---
Total Obligations by Object	5,970,000	6,401,000	+431,000

Authorizing Legislation

Legislation	1991 Authorized	1991 Appropriation Requested
Occupational Safety and Health Act:		
Section 12 of the Act of December 29, 1970 (P.L. 91-596)	Indefinite	$6,401,000

OCCUPATIONAL SAFETY AND HEALTH REVIEW COMMISSION

Salaries and Expenses

Year	Budget Estimate to Congress	House Allowance	Senate Allowance	Appropriation
1971	$ 75,000	$ 75,000	$ 75,000	$ 75,000
1972	400,000	400,000	400,000	1,592,000
1973	5,979,000	5,979,000	5,979,000	3,850,000
1974	4,890,000	4,890,000	4,890,000	4,687,000
1975	5,720,000	5,512,000	5,700,000	5,512,000
1976	5,806,000	5,769,000	5,769,000	5,769,000
1TQ	1,464,000	1,464,000	1,464,000	1,464,000
1977	6,280,000	6,607,000	6,607,000	6,607,000
1978	7,150,000	7,150,000	7,150,000	7,150,000
1979	7,658,000	7,658,000	7,658,000	7,658,000
1980	7,450,000	7,450,000	7,450,000	7,450,000
1981	7,806,000	7,806,000	7,806,000	7,806,000
1982	7,787,000	7,787,000	7,387,000	7,092,000
1983	6,316,000	6,316,000	6,316,000	6,316,000
1984	6,331,000	5,982,000	6,339,000	5,982,000
1985	6,143,000	6,143,000	6,143,000	6,143,000

1986	5,742,000	5,901,000	5,901,000	*5,647,000
1987	5,750,000	5,647,000	5,750,000	5,750,000
1988	6,232,000	5,885,000	5,885,000	5,885,000
1989	6,002,000	5,831,000	5,831,000	5,845,000
1990	5,970,000	5,970,000	5,970,000	5,970,000
1991	6,401,000			

* Includes reductions pursuant to PL 99-177

OCCUPATIONAL SAFETY AND HEALTH REVIEW COMMISSION

	1990 Base FTE	1990 Base Amount	1991 Request FTE	1991 Request Amount	Increase or Decrease FTE	Increase or Decrease Amount
Personnel compensation and benefits ..	85	$4,560,000	85	$4,877,000		$+317,000
Other expenses		1,410,000		1,524,000		+114,000
Total	85	$5,970,000	85	$6,401,000		$+431,000

The Occupational Safety and Health Review Commission (OSHRC) was established on April 28, 1971, pursuant to the Occupational Safety and Health Act of 1970 (PL 91-596). The agency adjudicates issues in dispute between the U.S. Department of Labor's Occupational Safety and Health Administration (OSHA) and employers (or their employees) to whom OSHA has issued citations charging a violation of the Act.

Hearings are held locally by Administrative Law Judges who decide the issues in disputes. Their decisions must then pend for 30 days before the 3 members of the Commission. If a member directs review of such a decision during that 30-day period, the 3 member tribunal examines and renders a decision on this case either affirming, modifying or vacating the ALJ's decision. If no member directs review during the 30-day period, the judge's report becomes final. All OSHRC decisions are subject to direct appeal to the U.S. Courts of Appeal.

OCCUPATIONAL SAFETY AND HEALTH REVIEW COMMISSION

	1990 Base		1991 Request		Increase or Decrease	
	FTE	Amount	FTE	Amount	FTE	Amount
Personnel compensation and benefits ..	26	$1,346,000	26	$1,530,000		$+184,000
Other expenses		547,000		454,000		-93,000
Total	26	$1,893,000	26	$1,984,000		$+91,000

Commission Review

The review function is presently accomplished by the Commissioners' staffs (9 FTE) and the Office of the General Counsel (17 FTE).

When a case is directed for review by one of the Commission Members, the case is assigned to the Office of the General Counsel. Following the submission of briefs, it is assigned to an attorney, who is responsible for the case until it is issued as a final Commission Order. The attorney prepares a decisional memorandum or a draft decision depending upon the complexity of the case. The case then generally proceeds through the following steps in the decisional process:

1. The decisional memorandum or draft decision is presented at a meeting of the three Commissioners for their votes. If the case is presented in the form of a decisional memorandum, a draft decision is prepared following the meeting in accordance with the votes of the Commissioners. If the case is prepared in the form of a draft decision, the draft is either accepted or revised in accordance with the instructions of the Commissioners. Following revision, draft decisions are circulated as proposed decisions to the Commissioners for signature.

2. After signature by the Members, the proposed decision is issued as a final Commission Order. In cases in which an individual Commission Member wishes to file a separate opinion, the separate opinion normally is filed after the majority has signed the proposed decision. A decision or separate opinion may be revised several times before issuance as a final order.

Accomplishments:

On November 22, 1988, the President appointed by recess appointment Linda L. Arey as a Member of the Review Commission. This marked the first time since April 27, 1987 that the Commission had two Members. Under the Occupational Safety and Health Act of 1970, 29 U.S.C. §§ 651-678, a quorum of two Members is required to take official action on a case. Because the Commission never had a quorum in FY88, only 6 cases were issued in FY88 at the review level. All of these cases were settlements or withdrawals that did not require a vote of two Commissioners for approval.

In FY89, the Commission issued 51 decisions on review. As discussed above, Commissioner Arey came aboard on November 22, 1988; on April 27, 1989, Chairman Buckley's term expired. The decisions were issued during the approximately 5 months between these two dates. This period was the only time in FY89 in which the Commission had a quorum. The Commission received 44 new cases on review in FY89. The Commission ended FY89 with 70 cases pending on review.

Following the expiration of Mr. Buckley's term in April, 1989, Commissioner Arey was named Acting Chairman. She remained in this position and as the sole Commission Member until November 22, 1989, when her recess appointment expired. Since November 22, 1989, the Commission has been without a single Commission Member. Consequently, the Commission cannot decide cases and decisions of Administrative Law Judges cannot be directed for review. The only relief available to parties aggrieved by Commission ALJ decisions is appeal to the United States Court of Appeals.

Projections:

Commission case activity for the remainder of FY89 cannot be projected accurately because of continuing uncertainties in Commission Membership. At present, there are two nominees to Commissioner positions awaiting confirmation by the Senate. Mr. Edwin G. Foulke, Jr., has been nominated to fill the Commissioner position with a term expiring on April 27, 1995. Mr. Donald G. Wiseman has been nominated to fill the Commissioner position with a term expiring on April 27, 1993. The White House has announced an intention to nominate Ms. Velma Montoya to the third Commissioner position, the term of which expires on April 27, 1991.

Despite these uncertainties, the estimates in this budget submission made for the remainder of FY90 and for FY91 are founded on the assumption that the Commission will obtain a quorum by April, 1990, and that the quorum will be maintained through FY91. Neither of the terms for Commissioner positions for which nominations are pending expires before April, 1993. Under these circumstances, the increase in activity at the ALJ level should be reflected in further workload increases at the review level. Accordingly, the Commission projects

approximately 68 new cases in FY 90 and 90 new cases in FY91. These estimates represent substantial increases over the 44 new cases received in FY89. Petitions for review by the full Commission, however, already have increased sharply. The arrival of a quorum of Commissioners should result in a substantial increase in directions for review. The Commission also estimates that approximately 65 cases will be decided and issued in the remainder of FY90 and approximatey 110 cases will be issued in FY91. Estimates of both incoming and outgoing cases will be exaggerated if a quorum is lost for any significant period. The estimates of cases decided are, of course, more vulnerable to the loss of a quorum.

TABLE 1

COMMISSION REVIEW

FISCAL YEAR	ALJ DEC.	NEW CASES ON REVIEW	%	DISPO.	PENDING AT END OF F.Y.
1982	2,14[illegible]	103	4.8	169	198
1983	1,152	58	5.0	104	152
1984	1,220	46	3.8	88	110
1985	1,329	39	2.8	53	96
1986	1,518	45	3.0	76	65
1987	1,813	34	1.9	60	39
1988	2,279	44	1.9	6	77
1989	3,163	44	1.4	51	70
1990 (est.)*	3,800	68	1.8	65	73
1991 (est.)**	4,650	90	1.9	110	53

TABLE 2

CASES REVIEWED

FY 1982	2,149
FY 1983	1,152
FY 1984	1,220
FY 1985	1,329
FY 1986	1,518
FY 1987	1,813
FY 1988	2,279
FY 1989	3,163
FY 1990	3,800 (est.)
FY 1991	4,650 (est.)

* Assumes the Commission will have a quorum (at least two members) for the last 6 months of FY 90.

** Assumes the Commission will have a quorum for the entire fiscal year.

OCCUPATIONAL SAFETY AND HEALTH REVIEW COMMISSION

	1990 Base FTE	1990 Base Amount	1991 Request FTE	1991 Request Amount	Increase or Decrease FTE	Increase or Decrease Amount
Personnel compensation and benefits ..	39	$2,288,000	39	$2,437,000		$+149,000
Other expenses		416,000		616,000		+200,000
Total	39	$2,704,000	39	$3,053,000		$+349,000

ADMINISTRATIVE LAW JUDGE

The function of the Commission's administrative law judges is to decide cases and to that end to conduct hearings and other proceedings under the formal adjudicative requirements of the Administrative Procedure Act. Consistent with the Commission's mission these proceedings are to be conducted in an efficient, expeditious and fair manner.

Under Commission procedure cases (contests) are filed with the Commission's Executive Secretary; the cases are docketed and sent to the Chief Administrative Law Judge, who assigns cases consistent with APA requirements to the administrative law judges in the Commission's four regional offices. The parties are then afforded an opportunity for a hearing.

Workload Expectation and Performance

	Actual FY 1988	Actual FY 1989	Est. FY 1990	Est. FY 1991
Cases pending beginning of year	665	1238	1548	1848
New cases received	2852	3504	4100	4950
Case Dispositions				
Prior to assignment	1	0	0	0
After assignment but w/o hearing	2124	2957	3500	4300
Heard and decided by Judge	154	237	300	350

The new cases that were received during FY 1989 totalled 3,504, which is 652 cases more than were received during FY 1988 (2,852). The estimates for FY 1990 and FY 1991 are progressively higher, with estimates of 4,100 cases for 1990 and 4,950 for 1991. The contest rate (the percentage of contests resulting from inspections) rose from 4.87 percent in 1988 to 5.66 percent in 1989. Projections of 6.50 percent and 7.93 percent are made respectively for FY 1990 and 1991.

It is anticipated that a major contributing factor to the estimated increased volume of cases in FY 1991 will be many subjects and issues presented in the new OSHA rule lowering the permissible exposure limits for over 400 air contaminants. The rule was published in a 650-page Federal Register document [54 F.R. 2332, Jan. 12, 1989]. Several appeals in regard to this rule are now pending before the Eleventh Circuit in consolidated cases, among them Courtaulds Fibers, Inc. v. OSHA, (11th Cir., Nos. 89-7073 et al.). Also, a major revision of much litigated standards affecting construction and excavation (54 F.R. 45894, Oct. 31, 1989), is expected to contribute substantially to adjudication caseload before the Commission in FY 1991.

Although case dispositions by the ALJs rose sharply during FY 1989 (40% above FY 1988), dispositions remain below the number of new cases received. The number of total dispositions by ALJ's for 1988 of 2,279 rose in 1989 to 3,194 cases. There was little change in the settlement rate (93.2 percent for 1988 and 92.6 percent for 1989). However, in absolute numbers, the number of decisions following hearing increased from 154 in 1988 to 237 in 1989. Greater increases in case dispositions have been estimated for FY 1990 (3,800) and 1991 (4,650) with a settlement rate in the vicinity of 92 percent.

The sharp rise in the case dispositions or productivity of the administrative law judges in FY 1989 is attributed largely to utilization of attorney-advisors assisting the judges; the use of one attorney advisor for each office staffing administrative law judges. The even greater increases in case dispositions projected for FY 1990 and for FY 1991 are premised upon a growth in the experience of the present attorney-advisors during the current fiscal year and the addition of other attorney-advisors in FY 1991. The alternative to this limited staffing increase would be increases in case inventories that would be roughly the equivalent of the projected increases of production with the additional staffing. This would be roughly 850 cases for FY 1991. The projected increases in production for 1991 are not considered realistic without the staffing increase of attorney-advisors.

The attorney-advisors have directly affected production by assisting in the drafting of the decisions of the administrative law judges. They have also contributed indirectly to an increase in production by freeing additional ALJ time for exploring settlements and the conduct of adjudication. It should be noted that the number of settlements increased from 2,124 in FY 1988 to 2,957 in FY 1989, a difference of 833 cases which is a 39% increase above FY 1988. Concerning the conduct of hearings, 195 hearings were conducted in FY 1988; in contrast, 293 hearings were conducted in FY 1989, an average of 98 hearings. A total of 380 hearings are estimated for FY 1991. The 380 estimated hearings are premised upon a rise in adequate staffing support.

There was some increase in the average times of case disposition between 1988 and 1989. The average time of disposition following hearing in 1988 was 237 days, while the average in 1989 was 256 days. The average time of disposition without full hearing was 88 days in 1988 and 109 days in 1989. The differences are attributed to a change made during the year in the time of assigning cases to the administrative law judges. Cases are now assigned as soon as practicable following the filing of a contest notice. Previously, the cases were assigned at the end of the pleading stage. The pleading stage of a case averages from sixty to ninety days. The Commission rules of procedure allow each party thirty days in which to plead, and some extensions of time in major cases occur. In light of this, the real average times of case disposition have improved over FY 1988. However, without the aforementioned change in staffing, some increase in the times of case disposition may be anticipated in FY 1991. This would be particularly true in decisions reached following hearings.

OCCUPATIONAL SAFETY AND HEALTH REVIEW COMMISSION

	FY '90 Base		FY '91 Request		Increase or Decrease	
	FTE	Amount	FTE	Amount	FTE	Amount
Personnel compensation and benefits.....	20	926,000	20	910,000		-16,000
Other expenses.....		447,000		454,000		+ 7,000
Total.....	20	1,373,000	20	1,364,000		- 9,000

ADMINISTRATION

All administrative support of the Commission's programs on both the National and Regional offices level is provided by three departments under the direct supervision of the Executive Director.

Office of the Executive Director

The Executive Director serves as Chairman of the agency's Executive Committee comprised of senior managers.

Acting under the delegated authority from the Head of the Agency, the Executive Director directly supervises the full range of administrative support functions required to meet the program needs of the entire Commission. These functions include, but are not limited to, the oversight and assessment of the overall effectiveness of the Performance Management System; the development and implementation of policy in accordance with law, rule, or regulation; effective utilization of personnel while implementing an effective EEO program; labor-management negotiation and mediation; and policy decision making for the Commission in all non-adjudicative matters relating to administration and management, including contact with the Executive and Legislative branches of the Federal government.

Office of Administrative Services

Under the direction of the Executive Director, the Director of Administrative Services is responsible for the preparation, written justification and execution of the Commission's annual budget. This office provides a full range of support services

including human resource management, employee training and guidance counseling; financial management, including procurement, payroll, payment of travel expenses and invoices for goods and services; space utilization; office services; telecommunications; mail handling; safety and health in the work place; equipment maintenance; and inventory control.

Office of the Executive Secretary

The Executive Secretary serves as a Clerk of the Court for the Review Commission under the authority of 29 U.S.C. at 661 (e) and (f). In this capacity, the functions of the Office include the official receipt and docketing of all cases before the Commission, as well as the processing, maintenance and proper disposition of the official case files. This Office has the authority to process and issue orders and decisions at the direction of a majority of the Commission members and maintains the official minutes and the seal of the Commission.

In addition, the Executive Secretary is directly responsible to the Executive Director for the control and maintenance of the agency's ADP equipment and programs while serving as ADP manager and Information Resources Manager for the Commission.

Office of Public Information and Records Management

Reporting directly to the Executive Director, the Public Information Specialist is responsible for the reproduction and duplication of all substantive case decisions of the Commission as required by 29 U.S.C. at 61 (g) and 5 U.S.C. at 552(a)(2); as well as serves as the primary representative for the disposition of requests filed under the Freedom of Information Act and the Privacy Act in accordance with law as detailed in 29 CFR at 2201.1 - 2201.8.

This Office is also charged with the responsibility to maintain an effective working relationship with all forms of the media, Congressional liaison personnel and the public-at-large for the purpose of dissemination of information about the activities and operations of the Commission; as well as the preparation, editing, publication and distribution of organizational materials to assist the general public.

To carry out the intent of the Paperwork Reduction Act, this Office provides a Central Records Center for the agency which, in turn, carries out the rules and regulations for the timely disposition of all non-adjudicative records in compliance with law and regulations.

Accomplishments

A major effort was carried out in accordance with the requirements of the Financial Manager's Integrity Act. Based on vulnerability assessments of case assignment and related travel, steps have been taken to reduce the number of trips required to conduct hearings by re-assignment of cases to Judges within a given office. It is anticipated that when fully implemented in FY '90, this efficiency will result in cost containment as airfares continue to rise.

Evaluation and certification of the Commission's procurement system have been performed with modifications implemented to conform with the provisions of the OFPP Act Amendments of 1988 as related to Standards of Conduct.

Further space reductions were carried out and a majority of the agency's surplus furniture and property was transferred to the Department of Agriculture for rehabilitation and recycling.

A Directive has been developed to implement the Federal Salary Offset Program of 1987 for the collection of delinquent debts that are due the Government by federal employees.

OSHRC has established its own Voluntary Leave Bank to meet the needs of its employees.

Anticipated Workload

Although the Review Commission has been without a quorum since late in April of 1989, thus creating a growing backlog of cases, the level of ALJ adjudication has increased. With the anticipated arrival of new Commissioners, the agency will be operating at nearly full capacity.

However, it has been the experience of the Commission that the level of administrative support, except for case tracking process, does not significantly rise or fall commensurate with caseload, but rather, remains relatively constant in a continuing effort to keep pace with requirements.

TUESDAY, APRIL 3, 1990.

NATIONAL COMMISSION ON ACQUIRED IMMUNE DEFICIENCY SYNDROME

WITNESSES

JUNE E. OSBORN, M.D., CHAIRMAN

MAUREEN BYRNES, EXECUTIVE DIRECTOR

Mr. STOKES. The subcommittee will come to order. Our hearing this afternoon will start with the National Commission on Acquired Immune Deficiency Syndrome. Dr. June Osborn is the chairman of the Commission, and she is here to testify. Dr. Osborn, it's a pleasure to have you here.

Dr. OSBORN. Thank you very much.

Mr. STOKES. You may proceed in any way you would like. If you have someone to introduce, please do so.

Dr. OSBORN. I'd like to introduce Ms. Maureen Byrnes, who is the Executive Director of the National Commission on AIDS, and she will help me with things that I don't know and she does.

Mr. STOKES. We are pleased to also have you.

Ms. BYRNES. Nice to see you, Mr. Congressman. I was a staff person over on HHS on the Senate side. I recall you well from our discussions from across the table.

Mr. STOKES. We had some conferences, didn't we?

Ms. BYRNES. Yes, we had some.

Mr. STOKES. Nice to see you again.

Ms. BYRNES. Thank you.

Mr. STOKES. Nice to see you in this capacity. Dr. Osborn, please feel free to proceed with your opening statement any way you would like.

Dr. OSBORN. Thank you very much.

OPENING STATEMENT

I'm Dr. June Osborn, Dean of the School of Public Health at the University of Michigan, and Chairman of the National Commission on AIDS.

As you know, the Commission was established under the Health Omnibus Programs Extension Act of 1988, which was signed by the President on November 4, of that year. However, 9 months passed before all appointments to the Commission were completed, so that on August 2, our official charter was approved in 1989.

The 15 members of the Commission were sworn into office on August 3, 1989, Washington, D.C. And at that first meeting, I was elected chairman by the other commissioners. Dr. David Rogers, the Walsh McDermott Professor of Medicine at Cornell, was elected

Vice Chairman of the Commission. Later that month, the Commission met and selected Maureen Byrnes as our Executive Director.

The Commission is charged with the purpose of promoting the development of a national consensus on policy concerning AIDS and of studying and making recommendations for a consistent national policy concerning AIDS and the human immunodeficiency virus, or HIV epidemic.

Over the past decade, more than 120,000 Americans have been diagnosed with AIDS, and nearly 70,000 of them have died. Even the most conservative estimates suggest that these numbers will more than double in the next two years. Nearly 1,000,000 Americans face premature illness from HIV infections, and the minimum number of new infections each year is 45,000. The more likely numbers are 2 to 5 times that.

Since the interval between onset of infection with HIV and onset of AIDS is commonly up to ten years, each increment assures us of certain trouble further into the 21st Century. The Commission has begun to fulfill its statutory mandate through public hearings, meetings and roundtable discussions as well as site visits throughout the country.

These forums provide a foundation for decision making by bringing to light the complex issues related to AIDS. The site visits allow us to see first-hand the problems faced on the front line of the epidemic.

For instance, we recently visited New York City where we witnessed the anguish and destitution of the homeless whose lives are now further complicated by the threat of HIV infection and AIDS. In northern New Jersey, we got the greater appreciation of efforts aimed at assisting intravenous drug users and the hemophiliac community. This month, we will be visiting Georgia to examine programs aimed at confronting the unique challenges posed by AIDS in rural communities.

Thus far, the Commission has conducted four full Commission substantive hearings. The first meeting in September provided a general overview of the epidemic and the challenges confronting us now.

Witnesses included such experts as former Surgeon General Everett Koop and Dr. Mathilde Krim, head of the American Foundation for AIDS Research. We also heard compelling stories from several individuals who are living with AIDS each and every day.

In November, the Commission conducted hearings in Washington at which numerous experts in the field of health care delivery and financing presented us with the stark facts about the state of our nation's health care system. The Commission was so moved by what we heard during those two days that we sent an early report in the form of a letter to the President, copies of which were sent to Congressional leaders.

Based on the testimony that we heard in November, we concluded that our current health care system is worsening each day, and it is in serious need of reform. I have enclosed a copy of that report with this statement.

In January, the Commission conducted a full day of hearings and several site visits in the Los Angeles area. Our effort to gain a better understanding of the unique approaches to AIDS-related

issues in southern California were successful. We came to appreciate the innovative programs developed by many of those committed to caring for people living with HIV infection and AIDS in both the hospice and hospital settings.

We also recognized the urgent need for financial support from all levels of government in the battle against AIDS, and we learned the importance of channeling the dollars to the community level for maximum benefit.

The most recent full Commission meeting was held on March 15 and 16, here in Washington, and the focus of these meetings was on current executive and legislative branch initiatives relating to the epidemic, such as our National Drug Control Strategy, and our efforts at comprehensive reform in long-term care.

In addition to our full Commission meetings, we have established several working groups to look at specific aspects of the epidemic. There's a working group on local, State and Federal responsibilities chaired by Ramsey County Minnesota Commissioner Diane Ahrens, and that group had been examining the roles of local, State and Federal Governments in the HIV epidemic.

At its first meeting in St. Paul in early January, that group heard from individuals representing all levels of government. The need to better define the roles of Government in providing health-related services is of major importance, and that group is examining those roles and potential for more effective intergovernmental coordination.

A working group on social and human issues, chaired by the Reverend Scott Allen of Dallas, held its first meeting in February in Boston, Massachusetts. I should point out that he, too, is a member of the Commission. The meeting focused on the issue of early intervention and the psychosocial aspects of testing for HIV.

As our work moves forward, it is expected that other working groups will be formed for the purpose of reporting back to the full Commission their findings and recommendations as a way to amplify our effectiveness in this short period of time.

As you know, we are required by statute to prepare and submit an interim report to the President and the Congress in August of this year, and a final report on the Commission's findings, conclusions and recommendations to be submitted in August of 1991.

We have played and will continue to play an active role in the debate over issues and policy relating to the epidemic. We have issued resolutions, including statements of support for the Americans with Disabilities Act, treatment on demand for drug users, and the funding of research programs involving the distribution of bleach for the purpose of cleaning needles.

We have also been outspoken on the need to reassess current U.S. immigration and visa policy as it relates to individuals with HIV infection and AIDS, which we believe is counterproductive, discriminatory and a waste of resources in its present form. Again, copies of all these statements have been submitted for your review.

Increasingly, one hears that AIDS is just one disease, and that we've put a lot of resources into it, and that now we should back off to be fair to other diseases. Congressman Stokes, the only new thing about AIDS is the virus itself. Almost all of the problems we are faced with in health care, financing and the like are old ones

that have been patched together or ignored, as you well know from the November Commission work. And the effort we devote to their solution will have benefits far beyond the scope of AIDS.

In particular, AIDS is increasingly becoming a chronic, treatable disease, and our urgent need to create options to provide for a continuum of care raises many of the issues that our elderly could have told us about long ago. If we meet the challenge thoughtfully, our efforts could have positive impact far beyond the immediate crisis of the HIV epidemic.

Furthermore, regarding research, the insights accruing in many areas of so-called AIDS research will have a rich harvest of progress in other areas, most notably cancer, progressive neurologic disorders, and some of the chronic arthritides.

Finally, AIDS is a communicable disease, and the numbers are not static, and indeed are escalating rapidly. AIDS has a long, silent interval prior to its inexorable expression. And the fact that it is preventable means that further spread is unconscionable. In those senses, unlike other diseases, it is not yet anywhere near control, and that is very different from other diseases. So, we must persevere.

The broad outlines of the next decade's stressful times have been defined for us, and were there not another single instance of transmission of HIV, we would have overwhelming trouble ahead. Even with the progress that has slowed the advent of AIDS as a final diagnosis, enormous numbers of Americans are "in the pipeline," as it were, and will soon require our help to live out their truncated lives with productivity while possible, with access to health care as needed, and with dignity throughout.

Numerically, the HIV epidemic in the decade of the 1990s will be far worse than we have seen so far. The National Commission on AIDS is committed to working with both the Congress and the President in meeting the serious challenges confronting us as a society and as a nation. There is little doubt that the job of advancing our nation in conquering this epidemic is an enormous one, one that requires many resources.

The President's fiscal year 1991 budget included $3,000,000 for the National Commission on AIDS. The Commission wholeheartedly supports the President's request, and urges the Congress to appropriate the full $3,000,000 for fiscal year 1991.

Thank you. I would be pleased to answer questions.

[The prepared statement of Dr. Osborn follows:]

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TESTIMONY

before the

SUBCOMMITTEE ON LABOR, HHS, EDUCATION
& RELATED AGENCIES

COMMITTEE ON APPROPRIATIONS
U.S. HOUSE OF REPRESENTATIVES

April 3, 1990

by

JUNE E. OSBORN, M.D.
Chairman

29-886 O—90——27

Good afternoon, Mr. Chairman and Members of the Committee. I am Dr. June Osborn, Dean of the School of Public Health at the University of Michigan and Chairman of the National Commission on AIDS. It is a pleasure to be here on behalf of all the members of the Commission. As you know, the National Commission on Acquired Immune Deficiency Syndrome (AIDS) was established under the Health Omnibus Programs Extension (HOPE) Act of 1988 (P.L. 100-607), which was signed by the President on November 4th of that year. However, nine months passed before all appointments to the Commission were completed. On August 2, 1989, our official charter was approved.

The fifteen members of the Commission were sworn into office on August 3, 1989 in Washington, D.C. At that first meeting, I was elected chairman and Dr. David E. Rogers, the Walsh McDermott Professor of Medicine at Cornell University Medical College, was elected vice-chairman of the Commission. Later that month, the Commission met and selected Maureen Byrnes as executive director.

The Commission is charged with the purpose of promoting the development of a national consensus on policy concerning AIDS and of studying and making recommendations for a consistent national policy concerning AIDS and the human immunodeficiency virus (or HIV) epidemic.

Over the past decade, more than 120,000 Americans have been diagnosed with AIDS and nearly 70,000 of them have died. Even the most conservative estimates suggest that these numbers will more than double in the next two years. Nearly 1,000,000

Americans face future premature illness from HIV infection and the minimum number of new infections each year is 45,000 -- the more likely number is two to five times that. Since the interval between onset of infection with HIV and onset of AIDS is commonly up to ten years, each increment assures us of certain trouble further into the twenty-first century.

The Commission has begun to fulfill its statutory mandate through public hearings, meetings, and round table discussions, as well as site visits throughout the country. These forums provide a foundation for decision-making by bringing to light the complex issues related to AIDS. The site visits allow us to see first-hand the problems faced on the front-line of the epidemic.

For instance, we recently visited New York City where we witnessed the anguish and destitution of the homeless, whose lives are now further complicated by the threat of HIV infection and AIDS. In northern New Jersey, we gained a greater appreciation of efforts aimed at assisting I.V. drug users and the hemophilia community. This month, we will be visiting Georgia to examine programs aimed at confronting the unique challenges posed by AIDS in rural communities.

Thus far, the Commission has conducted four full commission substantive hearings. The first meeting, in September, 1989, provided a general overview of the epidemic and the challenges confronting us today. Witnesses included such experts as former Surgeon General C. Everett Koop and Dr. Mathilde Krim, head of the American Foundation for AIDS Research. We also heard the

compelling stories of several individuals who are living with AIDS each and every day.

In November, the Commission conducted hearings in Washington at which numerous experts in the field of health care delivery and financing presented us with the stark facts about the state of our nation's health care system. The Commission was so moved by what we heard during those two days that we sent an early report in the form of a letter to the President, copies of which were sent to Congressional leaders. Based upon the testimony we heard in November, we concluded that our current health care system is worsening each day and in serious need of reform. I have enclosed a copy of the report with my statement.

In January, the Commission conducted a full day of hearings and several site visits in the Los Angeles, California area. Our effort to gain a better understanding of the unique approaches to AIDS-related issues in southern California was very successful. We came to appreciate the innovative programs developed by many of those committed to caring for people living with HIV infection and AIDS in both the hospice and the hospital setting. We also recognized the urgent need for financial support from all levels of government in the battle against AIDS and we learned the importance of channeling the dollars to the community level.

The most recent full commission meeting was held on March 15th and 16th here in Washington. The focus of these meetings was on current executive and legislative branch initiatives related to AIDS and HIV infection, such as our National Drug

Control Strategy and our efforts at comprehensive reform in long-term care.

In addition to our full Commission meetings, the Commission has established several working groups to look at specific aspects of the epidemic. The Working Group on Local, State, and Federal Responsibilities, chaired by Ramsey County Minnesota Commissioner Diane Ahrens, has been examining the roles of the local, state, and federal governments in the HIV epidemic. At its first meeting in St. Paul, Minnesota, in early January, this working group heard from individuals representing all levels of government. The need to better define the roles of government in providing health related services is of major importance. This group is examining these roles and the potential for more effective intergovernmental coordination.

The Working Group on Social/Human Issues, chaired by the Rev. Scott Allen of Dallas, held its first meeting in February in Boston, Massachusetts. The meeting focused on the issue of early intervention and the psychosocial aspects of testing for HIV.

As the Commission's work moves forward, it is expected that other working groups will be formed for the purpose of reporting back to the full Commission their findings and recommendations.

As you know, the Commission is required by statute to prepare and submit an interim report to the President and the Congress in August of 1990. A final report of the Commission's findings, conclusions, and recommendations will be submitted in August, 1991.

The Commission has played and will continue to play an active role in the debate over issues and policy relating to the epidemic. We have issued resolutions, including statements of support for the Americans with Disabilities Act, treatment on demand for drug users, and the funding of research programs involving the distribution of bleach for the purpose of cleaning needles. We have also been outspoken on the need to reassess current U. S. immigration and visa policy as it relates to individuals with HIV infection and AIDS, which we believe is counterproductive, discriminatory, and a waste of resources. Again, copies of all of these statements have been submitted for your review.

Increasingly, one hears that AIDS is just one disease, and we've put a lot of resources into it -- now we have to back off, to be fair to other diseases. Mr. Chairman, the only new thing about AIDS is the virus itself. Almost all of the problems we are faced with in health care, financing, and the like are old ones that have been patched together or ignored; and the effort we devote to their solution will have benefits far beyond the scope of AIDS. In particular, AIDS is increasingly becoming a chronic, treatable disease, and our urgent need to create options to provide for a continuum of care raises many of the issues that our elderly could have told us about long ago. If we meet the challenge thoughtfully, our efforts can have positive impact far beyond the immediate crisis of the HIV epidemic.

Furthermore, regarding research, the insights accruing in

many areas of so-called AIDS research will have a rich harvest of progress in many other areas -- most notably cancer, progressive neurologic disorders and some of the chronic arthritides.

Finally, Mr. Chairman, AIDS is a communicable disease. The numbers are not static and indeed are escalating rapidly. AIDS has a long silent interval prior to its inexorable expression, and the fact that it is preventable means that further spread is unconscionable. In those senses, unlike other diseases, it is not yet anywhere near control -- and that is very different from other diseases.

Mr. Chairman, we must persevere. The broad outlines of the next decade's stressful times have been defined for us, and were there not another single instance of transmission of HIV, we would have overwhelming trouble ahead. Even with the progress that has slowed the advent of AIDS as a final diagnosis, enormous numbers of Americans are "in the pipeline" and will soon require our help to live out their truncated lives with productivity while possible, with access to health care as needed, and with dignity throughout.

Numerically, the HIV epidemic in the decade of the 1990's will be far worse than what we have seen so far. The National Commission on AIDS is committed to working with both the Congress and the President in meeting the serious challenges confronting us as a society and as a nation. There is little doubt that the job of advancing our nation in conquering the HIV epidemic is an enormous one -- one that requires many resources.

The President's FY '91 Budget includes $3 million for the National Commission on AIDS. The Commission wholeheartedly supports the President's request and urges the Congress to appropriate the full $3 million for FY '91.

HEARING DATES

NATIONAL COMMISSION ON AIDS

August 3, 1989.....Washington, D.C.

August 17, 1989.....Washington, D.C.

September 18, 19.....Washington, D.C.

November 2, 3.....Washington, D.C.

January 24, 25, 26.....Los Angeles, CA

March 15, 16.....Washington, D.C.

May 7, 8.....Washington, D.C.

July 18, 19.....Washington, D.C.

WORKING GROUP SCHEDULE

FEDERAL, STATE, LOCAL RESPONSIBILITIES

January 4, 5.....St. Paul, Minn.

SOCIAL/HUMAN ISSUES

February 15, 16.....Boston, Mass.

SITE VISIT SCHEDULE

February 26, 27.....New York City/Newark, NJ

Focusing on issues related to homelessness and HIV infection; and HIV infection and drug use.

April 16, 17.....Rural Georgia

Focusing on HIV/AIDS in rural communities.

NATIONAL COMMISSION ON ACQUIRED IMMUNE DEFICIENCY SYNDROME
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CHAIRMAN
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EXECUTIVE DIRECTOR
[illegible]

December 5, 1989

President George Bush
The White House
Washington, DC 20500

Dear President Bush:

The official charter for the National Commission on Acquired Immune Deficiency Syndrome (AIDS) was signed on August 2, 1989. Since that time the National Commission has convened a series of hearings to solicit information and recommendations from experts in the field of medicine and public health policy to assist the Commission in meeting its statutory mandate of "promoting the development of a national consensus on policy concerning acquired immune deficiency syndrome."

The testimony we recently heard on health care and financing was so compelling we felt it is vital to write to you now, rather than wait until our statutorily required annual report next August. In fact, the Commission will continue to bring these urgent matters to your attention and to the attention of Congress as we hear from the experts about the Human Immunodeficiency Virus (HIV) epidemic and what is needed to respond to it.

The following represents the first of such reports which we hope will prompt appropriate action.

National Commission
on
Acquired Immune Deficiency Syndrome

Report Number One

OVERVIEW

"We don't have time to sit around and have this Commission live out its life and issue another report and have another report, another Commission.... We have to act and we have to act swiftly."

This testimony was presented before the National Commission on Acquired Immune Deficiency Syndrome at a hearing held in Washington, D.C., November 2nd and 3rd of this year. The Commission convened a meeting of experts to examine the global, national and local challenges confronting the United States in the HIV epidemic. The message from the experts was clear and alarming:

- There is a dangerous, perhaps even growing, complacency in our country toward an epidemic that many people want to believe is over.
- Far from over, the epidemic is reaching crisis proportions among the young, the poor, women and many minority communities. In fact, the 1990's will be much worse than the 1980's.
- The link between drug use and HIV infection must be acknowledged and addressed in any national drug strategy.
- There is no national plan for helping an already faltering health care system deal with the impact of the HIV epidemic.

Over the coming months, the Commission intends to bring the message of experts who have studied the problems and proposed the solutions to those who have the power to act. The Commission believes it is time to match rhetoric with action.

This letter is intended to outline the first of these messages from experts in the field of health care and financing: the public health care system in this country is not working well and nowhere is that more evident than for people with HIV infection and AIDS. While AIDS is not the cause of the health care system's disarray, it may well be the crisis that could pressure responsible national action to correct its serious shortfalls.

SCOPE OF THE PROBLEM

To date, AIDS has claimed more American lives than the Vietnam War. Over the course of the next four years in this country, AIDS will likely claim an additional 200,000 lives. It is estimated that by 1991 AIDS will be among the top ten leading causes of death in the United States. Nearly one-half of all AIDS cases reported to the Centers for Disease Control (CDC) through May 1989 were diagnosed in people 30 to 39 years old. By 1991, ten years after the first AIDS cases were reported, AIDS will far exceed all other causes of death for people between the ages of 25 and 44 years. In testimony before the Commission, it was stated that nine times more adults around the world may develop AIDS during the 1990's than have developed AIDS during the 1980's.

The proportion of AIDS cases with intravenous drug use as a risk behavior has risen from 25 percent prior to 1985, to 30 percent in 1988. In New York City, alone, an estimated 100,000 intravenous drug users are HIV-infected.

The HIV epidemic is not just a New York City or a San Francisco problem as some would like to believe. While it is true that before 1985, 44 percent of all cases of AIDS were diagnosed in the New York City or San Francisco areas, by 1988 this proportion had fallen to 25 percent. By 1991, it is expected that 80 percent of new AIDS cases will come from outside New York City and San Francisco.

In increasing numbers, these new cases will be women and children. As one prominent pediatrician from New Jersey told the Commission, "As a society, we claim to protect and cherish our children, but in fact, we have placed women and children squarely in front of an onrushing HIV epidemic."

The cumulative incidence of AIDS cases is disproportionately higher in Blacks and Hispanics than in whites. Fully 25 percent of all persons with AIDS in the United States are African-American and the number is growing. In fact, there has been, as one witness told the Commission, "a disproportionate impact of HIV on disenfranchised populations, gays, the poor, racial minorities, women, adolescents and drug users--populations having already less than optimal access to quality health care.... The development of a national care and treatment strategy will require a rethinking of our past effort."

ACCESS TO CARE

Recent years have seen considerable advances in the development of new HIV-related drugs, including the prospect of treating HIV infection before symptoms develop. But scientific

breakthroughs mean little unless the health care system can incorporate them and make them accessible to people in need.

The belief that Medicaid will pay for the health care needs of the growing number of low income people with HIV infection and AIDS is, as one expert witness told the Commission, a "Medicaid fantasy." According to a 1987 U.S. Hospital AIDS Survey, almost one quarter of all AIDS patients have no form of insurance, private or public. Less than 20 percent of the persons with AIDS treated in southern hospitals were covered by Medicaid, compared with 55 percent in the Northeast and 44 percent nationwide.

For the medically disenfranchised, there is no access to a system of care. For those who have no doctor, no clinic, no means of payment, access to health care services is most often through the emergency room door of one of the few hospitals in the community that treats people with HIV infection and AIDS. Five percent of the nation's hospitals treat fifty percent of the people with AIDS.

For those who are covered by Medicaid, access to care is better than for those who have no insurance at all. However, the obstacles to care under Medicaid funding can be insurmountable for many. One obstacle is the wide variation among states in Medicaid eligibility and scope of benefits. The Food and Drug Administration (FDA), under considerable public pressure, has struggled with mechanisms to speed new drugs to the market. Yet there is no requirement that Medicaid make even life-prolonging drugs such as zidovudine (AZT) available.

Another obstacle to needed care for persons with HIV infection and AIDS who qualify for Medicaid is the low reimbursement rates. Stunning examples of Medicaid physician compensation rates far below those by private insurance or Medicare were illustrated during the Commission hearing. For example, a new patient intermediate office visit in New York City is compensated by Blue Cross at $78, by Medicare at $80, and by Medicaid at $7. One witness indicated that physicians in New York with large AIDS practices were reluctant to refer Medicaid patients for specialty consultations because of low levels of reimbursement--levels so low that several physicians said the few dollars at stake per office visit were not worth the time and paperwork to bill the Medicaid program.

In summary, a series of problems have resulted in a health care system singularly unresponsive to the needs of HIV infected people: the initial appearance of HIV infection and AIDS in groups often shunned by the larger society - gay men, the poor, minorities, and intravenous drug users encouraged a slow response, a gross lack of training support for primary care

physicians to treat people with HIV infection and AIDS, and serious disincentives for physicians to take Medicaid patients and perhaps poor people in general.

WHAT IS NEEDED?

FIRST, frank recognition that a crisis situation exists in many cities that will require extraordinary measures to overcome. Significant changes must be made not only in our health care system but in how we think about the system and the people it is designed to serve. As one witness told the Commission, it can no longer be "business as usual."

SECOND, the creation of a flexible, patient-oriented, comprehensive system of care, closely linking hospital, ambulatory, residential, and home care. Primary care physicians must be central to such a system. But if primary care doctors are to care for patients with HIV infection and AIDS, they need the financial, social and institutional support to assist them in managing complicated patients.

THIRD, consideration of the creation of regional centers or networks of care, perhaps using the already existing regionalized hemophilia treatment program as a model. These centers would not serve as a replacement for the care provided by primary care physicians but would provide backup and consultation to help strengthen community based primary care.

It is essential that everyone be afforded early intervention and access to care. In addition, the availability of backup and consultation from appropriate specialists is required to provide the assistance and encouragement primary care doctors need to see more people with HIV infection and AIDS. Regional centers should also provide the appropriate link with the hospital when hospital services are needed.

FOURTH, create units which can treat patients who have both HIV infection and drug addiction. The availability of drug treatment on request is essential for responding to the combined HIV and drug epidemic that imperils not only drug users but also their sexual partners and children.

Given the massive link between drug use and HIV infection, and the fact that there is an alarming increase in the number of new infections among intravenous drug users, the Commission wishes to go on record in expressing its surprise and disappointment that the White House National Drug Control Strategy mentions AIDS only four times in its ninety pages of text and not at all in its recommendations or discussions of how to allocate resources. The President's drug strategy simply must acknowledge and include HIV infection and AIDS.

FIFTH, provide comprehensive health care services under one roof. Fragmented services create additional barriers to needed health care. Often mothers will seek health care services needed for their babies but are not able to then gain access to care for themselves. Health care services for women and children need to be provided in one place. For the homeless, housing and health care need to go hand-in-hand. This is true not only for those who are homeless today but for those who will become homeless tomorrow because of the HIV epidemic.

WHAT WILL IT COST?

Estimates of the national costs of direct medical care for persons with AIDS in 1991 range from $2.5 to 15.1 billion (in 1988 dollars). These estimates represent a small fraction of the total health care costs for the nation - from less than one to slightly more than three percent. We simply must be prepared to make these expenditures.

WHO IS RESPONSIBLE FOR ACTION?

In carrying out its mandate, the National Commission on AIDS will attempt to delineate clearly the roles and responsibilities of various levels of government and the private sector in responding to and managing the HIV epidemic.

To date, there is no national policy or plan, and no national voice. Currently, as one witness testified, without the definition of roles each level of government points a finger at another and says it is their job. Clearly, managing the HIV epidemic is a responsibility which must be shared by all.

Without federal leadership the states have assumed various degrees of responsibility for planning, coordination and the provision of care. Likewise some local governments have played key roles in determining how patient services could be provided and in demonstrating important models for service delivery.

The role of the private sector voluntary and professional AIDS service organizations has been all important in managing the HIV epidemic to date. Foundations and corporations have also been important and their roles need better recognition and definition.

"We must," the Commission was told, "move swiftly to bring the missing players to the table...this includes a greater presence of our federal, state and local governments in terms of leadership, financing and service delivery. It includes the support and cooperation of the insurance industry, employers, physicians and other medical providers, and last but profit-wise not least, the pharmaceutical industry as well."

Responding to the challenge to bring the "missing players to the table," the National Commission on AIDS intends to do just that in hearings, working groups and other forums that can swiftly translate the facts into action and hold us all accountable for the national strategy that is long overdue. The time has come to define exactly what needs to be done, and measure how far we have come, and how much farther we still have to go.

On behalf of all of the members of the National Commission on AIDS, we look forward to being able to continue to bring important information to your attention.

Sincerely,

David E. Rogers

David E. Rogers, M.D.
Vice Chairman

June E. Osborn

June E. Osborn, M.D.
Chairman

cc: The Honorable Robert C. Byrd
President Pro Tempore of the Senate

The Honorable George J. Mitchell
Majority Leader of the Senate

The Honorable Bob Dole
Minority Leader of the Senate

The Honorable Thomas S. Foley
Speaker of the House of Representatives

The Honorable Richard A. Gephardt
Majority Leader of the House of Representatives

The Honorable Robert H. Michel
Minority Leader of the House of Representatives

NATIONAL COMMISSION ON ACQUIRED IMMUNE DEFICIENCY SYNDROME
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FOR IMMEDIATE RELEASE
March 6, 1990

Contact: Thomas Brandt
(202) 254-5125

STATEMENT ON THE "CARE" ACT OF 1990

The National Commission on AIDS endorses the principles and objectives of the Comprehensive AIDS Resources Emergency (CARE) Act of 1990. This legislation is responsive to many of the recommendations in the report issued by the National Commission on AIDS in December, 1989, as well as to recommendations of the Presidential Commission Report on the HIV Epidemic of June, 1988.

There must be frank recognition that a health care crisis exists in many of our cities that will require extraordinary measures to overcome. The HIV epidemic of the 1990's will be far worse than what we have seen thus far. Our Nation simply must be prepared to invest adequate resources now or pay dearly later.

The CARE Act of 1990 will provide emergency funds to those areas hardest hit by the epidemic. It will provide critical support for services in hospitals, clinics, other health facilities, and in the home. The CARE Act will prompt the development of more effective systems for the delivery of health and support services, including early intervention. It will develop and fund mechanisms to assure continuity of health insurance coverage for people with HIV disease and will also create community-based consortia capable of delivering a comprehensive continuum of care.

The Commission's recent hearings and site visits in the Los Angeles, New York City, and northern New Jersey areas impressed upon us the serious need for increased coordination between the various levels of government. Managing the HIV epidemic is a responsibility that must be shared by all. This legislation would stimulate further planning and coordination between all levels of government and the private sector.

The health care system in this country is not working well and nowhere is that more evident than for people with HIV infection and AIDS. While AIDS is not the cause of the health care system's disarray, it's epidemic nature has accelerated the urgent need for responsible national action to correct the system's serious shortfalls.

The Commission is extremely pleased that a strong bipartisan commitment has been made to enact this bill and looks forward to the passage and funding of comprehensive AIDS care legislation by the 101st Congress.

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Press Release
March 15, 1990

Contact: Thomas Brandt
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Hon. Louis W. Sullivan, M.D.

EXECUTIVE DIRECTOR
Kameron Bunker

STATEMENT BY NATIONAL COMMISSION ON AIDS THAT EPIDEMIC MAY HAVE PEAKED IN 1988

There is an ongoing debate among epidemiologists as to whether or when the HIV epidemic may "peak." We do not wish to enter that debate. What we wish to emphasize is the universal agreement on an absolutely key point: that the load of new cases of AIDS and the human suffering in the 1990s will far surpass the 1980s. It is estimated that there are roughly one million people in the United States who are infected with HIV. To date only a little more than 10 percent of them have developed full blown AIDS, but there is every indication that many more will do so. Indeed, in many parts of the country the AIDS epidemic is only getting started.

The National Commission on AIDS feels we simply must move much aggressively than we did in the 1980s to provide care and treatment for those who will inevitably become sick, to continue an intensive effort to find a cure, a vaccine, and to promote preventive education to stop the spread of infection to new individuals. Clearly we will continue to have morally and economically unacceptable numbers of people falling ill with AIDS during the decade to come.

# # #

CURRENT AUTHORIZATION

Mr. STOKES. Thank you very much, Dr. Osborn.

How long has the Commission now been in operation?

Dr. OSBORN. Just about six months.

Mr. STOKES. And what is the statutory authority for the Commission?

Dr. OSBORN. Public Law 100-607 authorizes the Commission through two years, so that August of 1991 would be the end of that statutory interval. It is written into the law that the President could extend its life by simple request. So, it's a minimum of two years.

Mr. STOKES. Do you have a specific dollar authorization for fiscal year 1991?

Ms. BYRNES. No. The authorization for 1991 is such sums. We were authorized at $2,000,000 for fiscal year 1989. We were not in existence in fiscal year 1989. And $1,000,000 was appropriated for fiscal year 1990. But it's open ended for 1991. It's the authorization of such sums.

AIDS POLICY

Mr. STOKES. All right. Your statement says that you plan to promote development of a national consensus on policy concerning AIDS. Tell us what you have in mind here and how you hope to accomplish this.

Dr. OSBORN. Well, that was the most ambitious and perhaps the most achievable goal, I think, in the sense that the national disbelief about this epidemic has been one of the worst problems for everybody trying to cope with it. And I think we have needed a much higher level of visibility for the problems, a much greater leadership, particularly from the President, and articulation of problems as they come up that represents the whole nation's interests.

This Commission, I feel, was very wisely created by the legislation that Congressman Rowland introduced—Congressman Rowland is a member of the Commission, and a very important one. We have a very broad representation of people with expertise of different sorts. There's sort of one of everything. We don't have concentrated expertise in any one area, and yet we represent it in a way that's quite exciting, a broad cut of American society that's trying to deal with this.

I am already encouraged by the experiences we've had thus far, that we've been able to elevate the level of both amount and level of media attention to the real issues of the epidemic, not the prurient stuff on the side, but real things that need attention.

And we're very happy with the interaction that we've had recently with the executive, and the President's speech last week. I met with him in the Oval Office in advance of that speech, along with Dr. David Rogers and Belinda Mason, and we had a good talk.

And I think we're going to be able to work increasingly effectively in providing the kind of discourse that lets people know that we deal with people in this epidemic as sick people, not guilty people.

INCREASED APPROPRIATION REQUEST

Mr. STOKES. Your prepared statement that was submitted to the committee is an excellent statement. However, we find no mention in the statement of why you're requesting a threefold increase in your appropriations for 1991, going from $1,000,000 to $3,000,000.

First, can you tell us now how you determined that you need a $2,000,000 increase in your budget?

Dr. OSBORN. Well, I think we can tell you how much difficulty we're having with the present budget, which was somewhat lower than was suggested, even as a minimum. I'll let Ms. Byrnes deal with some of the details.

But in point of fact, with the amount of work that we have been trying to undertake, we keep finding that we are not able to deal with all of the things that need doing. We are in a position to ask for consultancies and help from experts all over the country, and I think the Commission enjoys a great deal of good will in that regard.

So, we hope to be able to take the full power of this well-constituted group of citizens, plus the expertise that we can call on, and make that second year a particularly effective one.

I have no concern that we can use those funds well, but let me turn to Ms. Byrnes insofar as the budgeting process is concerned because she knows much better than I do about that.

Mr. STOKES. All right.

Ms. BYRNES. Simply to follow up on that, the bulk of the increase would be in additional staff positions, travel, and the availability of dollars to conduct studies and to make use of the services of consultants in particular areas such as health care, financing, and drug addiction. Housing has been raised as an issue that the Commission would also like to focus on.

In order to look at and learn about those issues that help us develop the national consensus, it has been important to the Commission to travel, and there's a significant increase in the travel portion of the budget for fiscal year 1991 to allow for that opportunity for the commissioners and to invite people who might otherwise not have an opportunity to share their experiences or concerns with the Commission so that we get a full range of viewpoints.

I would also point out that as Dr. Osborn indicated, we are operating on half of what was indicated that would be necessary in 1989. I think we're doing that well. But $3,000,000 would allow us to even do more than what we are currently doing now with an opportunity to perhaps touch on some things that we are thus far unable to do.

Mr. STOKES. Was your budget request reviewed by OMB? And if so, did they alter it in any way?

Ms. BYRNES. No, they did not. It was reviewed, and they did not alter it.

FY 1990 EXPENDITURES

Mr. STOKES. Now, you received $1,000,000 in the 1990 bill. Can you give us some idea as to how you are spending these funds?

Ms. BYRNES. Essentially, in those three categories. I can give you some of the specifics within some of the others in terms of the

printing and the reproduction costs, but the bulk of the $1,000,000 goes for the 9 full-time staff positions with daily compensation for those eligible commissioners when they are conducting full-time commission business, for travel and for operating expenses.

We're just about at the max of our travel expense right now. We've met as a full commission six times, four for substantive hearings, two working group meetings, and two site visits. We have another site visit scheduled for the end of this month. We're looking at doing some readjustment within our line items right now to accommodate the need for the commissioners to travel throughout the rest of fiscal year 1990.

We're made limited use of but have in fact provided some consulting services to the Commission. A lot of the money has gone in communications. We have a mailing list of over 500 organizations and individuals that are interested in what the Commission is doing and what the Commission has to share with the communities outside of Washington, DC.

So, the 9 full-time staff positions, the compensation to the commissioners. Travel is a large part of the budget. And printing, reproduction and communications has really been a considerable part of our budget.

Mr. STOKES. The fiscal year is now about half over. Do you expect to obligate the full million dollars in 1990?

Dr. OSBORN. Oh, absolutely.

Mr. STOKES. All right. How much is obligated through the end of March?

Ms. BYRNES. About half. I just asked for the numbers to come back. We're about at the halfway mark of the million-dollar appropriation.

STAFFING

Mr. STOKES. I believe you said you have nine staff?

Ms. BYRNES. Nine full-time staff positions.

Mr. STOKES. For the record, we would like for you to provide a list by job title.

[The information follows:]

COMMISSION STAFF

Executive Director, Chief Liaison Officer, Director of Communications, Senior Policy Analyst, Policy Analyst, Policy Analyst, Policy Analyst, Staff Assistant, Administrative Assistant.

Mr. STOKES. Can you tell us if your employees are exempted from the civil service system?

Ms. BYRNES. They were by statute, with the exception of my position.

Mr. STOKES. With the exception of yours?

Ms. BYRNES. Yes.

Mr. STOKES. Okay. What is the average salary of your current employees?

Ms. BYRNES. I don't have that number in my head, Congressman, but I would be happy to submit that for the record.

Mr. STOKES. All right.

[The information follows:]

$50,000.00.

Mr. STOKES. Can you tell us why you need six additional FTEs in 1991?

Dr. OSBORN. Well, I think that as we continue our work, and even in the text of my statement, you can tell that we are getting more and more deeply into the health care area because that's where the troubles are at their greatest, but the AIDS epidemic and in general there are serious problems.

We do not have the concentrated expertise to enter usefully into that important dialogue. But we feel we can't walk away from it either. So, in that area particularly, we are going to have to enhance our in-house capabilities as well as asking for consultants' help.

Mr. STOKES. Dr. Osborn, where would you recruit these people?

Dr. OSBORN. Well, we have no problem with recruiting. Our problem is somewhat the opposite. I'm delighted to say that we have people from all over the country eager to work with the Commission. And even when we don't have positions, people are sending in their Vitae and asking for consideration to help.

I think there are a lot of people committed to trying to help with the epidemic because it is a source of such intense concern all across the country. So, we've had people recruited both locally if it was appropriate, but also very wide selection of people to choose from.

SUPPORT CONTRACTS

Mr. STOKES. Now, you are evidently requesting a large increase for research contracts for technical and professional support. How much are you requesting in this area?

Ms. BYRNES. The total request in that area is $685,000.

Mr. STOKES. Can you tell us why this is necessary?

Ms. BYRNES. In addition to looking at getting individual staff positions onto the Commission with a particular expertise, a couple of the areas that the Commission has identified wanting to look at very extensively over the next year-and-a-half is the area of financing of the service recommendations that the Commission comes forward with as well as issues related to dealing with the drug addiction and HIV infection dual epidemic.

It's the expectation of the Commission that they will convene quite a few experts to look at, in particular the financing of long-term care needs for funding the recommendations that the Commission puts forward to the Congress and to the President.

We would be looking at making use of the consultant services in those two areas as well, as I indicated earlier, in housing. We don't have a lot of expertise on the Commission or on the staff at looking at what would really be a realistic way of responding to the housing needs for people who are homeless, people who are homeless with HIV infection, and for people who are finding themselves homeless as a result of losing job and health insurance coverage in those particular areas.

As we also hear from experts about the state-of-the-art research, in terms of health care delivery and the services available, it's the anticipation of the Commission that we may identify areas that

will need to be further studied. I think the availability of those dollars would allow us to convene those studies to be done so that the information is available to the President and the Congress to make responsible decisions on.

AIDS AND DRUG ABUSE

Dr. OSBORN. I just might add a comment on the drug area, substance abuse area. For instance, last summer, I would confidently assume that by now the administration's programs would have accommodated the strong and urgent recommendations of the Watkins Presidential Commission on AIDS regarding the need for enhanced drug-treatment capabilities everywhere that they are needed.

And we have been increasingly alarmed at the persistent lack of attention to the interface between the drug and AIDS epidemics. In fact, in our March meeting, we requested a chance to talk with the people in charge of the National Drug Strategy about that, and while Dr. Kleber came and talked with us, I don't think it would be appropriate to describe the interchanges satisfactorily.

So, there still is in my view a much greater need now than I thought there would be to add to our own expertise in that area since it's being, in my personal opinion, not well attended by the people in charge of drugs per se. And it is an extremely important dynamic in this epidemic.

Mr. STOKES. Dr. Osborn, Ms. Byrnes, we will have a number of additional questions to put to you that you can answer for us in the record.

I want to say to you that it's been a real pleasure to have you here, both of you, and we look forward to further appearances before our committee, and we appreciate your appearance.

Ms. BYRNES. Thank you very much, Congressman.

Dr. OSBORN. Thank you very much.

[Questions and answers for the record and the justifications follow:]

NATIONAL COMMISSION ON AIDS
FY'91 RECORD QUESTIONS SUBMITTED BY MR. NATCHER

Mr. Natcher: Is there a limit on the annual salary of your employees?

Dr. Osborn: There is for the Executive Director. According to P.L. 100-607, "The Executive Director shall be compensated at a rate not to exceed the maximum rate of basic pay payable under GS-18 of the General Schedule as contained in title 5, United States Code." For the record, the Executive Director requested and receives less than the maximum rate of pay. With the approval of the Commission, the Executive Director may appoint and fix the compensation of all other staff as the Executive Director considers necessary to carry out the duties of the Commission.

Mr. Natcher: For the record, provide a job description of each of the new employees that you plan to hire

Dr. Osborn: PUBLIC HEALTH: A position requiring expertise in the field of public health. This position will focus on working with the Commission on the roles of public health with respect to surveillance, prevention and health care, and how the public health system operates in partnership with the health care system and other organizations involved in responding to the HIV epidemic.

HEALTH CARE FINANCING: A position requiring expertise in health care financing. This position will involve working with Commissioners and health care economists and other experts in determining the costs of health care services for people living with HIV infection and AIDS and options for paying for such services.

SUBSTANCE USE: This position will focus on the dual epidemic of HIV infection an drug addiction. The Commission plans to look carefully at issues related to drug addiction research, treatment and prevention and HIV. This position will assist the Commission in evaluating current programs and proposing recommendations that can respond to this growing problem.

HOUSING: This position requires knowledge of federal, state and local housing laws. The Commission will be reviewing current housing laws and programs to evaluate their adequacy for people living with HIV infection and AIDS. This staff position will work with the Commission to report on current problems and make recommendations to respond to the housing needs of people living with HIV infection and AIDS.

POLICY ANALYST: General staff position requiring excellent research and writing skills to assist Commissioners and other staff in organizing hearings and site visits and writing the Commission's final report.

Mr. Natcher: You're seeking an increase of $695,000 for travel expenses. This means that travel would be about 27 percent of your total budget in 1991 as compared to about 10 percent 1990. Why such a large increase for travel?

Dr. Osborn: In order to meet its statutory mandate of developing a national consensus on policy concerning AIDS, the Commission believes it is essential to see first-hand the impact of the HIV epidemic in the United States and its territories, and to meet with those who are living with HIV infection and AIDS and those who are providing services to people with HIV infection and AIDS. (A list of all Commission meetings and site visits is attached.) The Commission plans to travel extensively in FY91 and has requested an increase in funds to do so.

The Commission also believes it is essential to hear testimony from people with HIV infection and AIDS and others who offer a variety of perspectives and experiences, as well as geographic diversity. Therefore, the Commission pays for the expenses of those witnesses who testify before the Commission who have no other means of payment. The Commission plans to continue this policy and has requested additional funds to cover this expense.

Mr. Natcher: Provide a breakdown of your travel request of $800,000 between commercial transportation charges and per diem allowances and expense reimbursements for employees and Commission members.

Dr. Osborn: $267,000 is budgeted for commercial transportation charges and $267,000 is budgeted for per diem allowances and expense reimbursements for employees and Commission members. I would note that included in our projected non-transportation costs is the $200 per day compensation provided to each eligible Commissioner when the Commission meets to conduct official Commission business. In accordance with
P.L. 100-607, members of the Commission who are officers or employees or elected officials of a government entity do not receive compensation.

Mr. Natcher: How much are you budgeting for witness expenses?

Dr. Osborn: We are budgeting the balance, or one-third of the total travel request, for witness expenses.

Mr. Natcher: Where is the Commission located here in town?

Dr. Osborn: The Commission is located at 1730 K Street, NW., Suite 815

Mr. Natcher: How much space do you have, and what is the rental cost per square foot?

Dr. Osborn: The Commission occupies 2600 square feet at a cost of $27.52 per square foot.

Mr. Natcher: To what extent do you receive administrative support or additional personnel from any Federal agency?

Dr. Osborn: To date, the Commission has detailed 2 staff members from the Department of Health and Human Services (National Institutes of Health and National AIDS Program Office) and 1 from the Department of Veterans Affairs.

Mr. Natcher: How often does the Commission meet?

Dr. Osborn: The Commission had its first meeting in August 1989. Since that time the Commission has conducted four full Commission substantive hearings. We have also conducted a site visit in Los Angeles and a full Commission site visit in New York City, Newark and Jersey City. Later this month we will be visiting Georgia to examine the impact of the HIV epidemic on rural communities. In addition to our full Commission meetings, two public Working Group Meeting have also been held. One meeting was held in St. Paul, Minnesota. The other in Boston, Massachusetts.

Mr. Natcher: Have you developed a meeting agenda for the rest of the year?

Dr. Osborn: The Commission is scheduled to meet May 7 and 8, to examine research issues and July 18 and 19 to look at manpower needs. Both meetings will be in Washington, D.C. We are also planning Commission site visits in June and August. We have not yet finalized the location of these site visits but will be happy to keep you informed as soon as our plans are confirmed.

Mr. Natcher: What kinds of expertise and backgrounds do you have represented among the Commission members.

Dr. Osborn: I am the Dean of the School of Public Health, University of Michigan, and serve on a number of AIDS advisory panels including those for the Global Commission on AIDS for the World Health Organization, the Robert Wood Johnson Foundation, the PEW Charitable Trusts and the Rockefeller Foundation, among others.

Dr. Rogers is also the Chairman of the AIDS advisory panels to the state of New York and to New York City, which has the largest number of persons with AIDS of any

city in the United States. He is also the Walsh McDermott University Professor of Medicine at Cornell University Medical College. Dr. Rogers is the former Dean of Medicine and Vice President for Medical Affairs at Johns Hopkins University. For 15 years he was President of the Robert Wood Johnson Foundation.

Members of the Commission were appointed by Democratic and Republican members of Congress and by the President of the United States. They represent a broad array of expertise in medicine, public health, law, public administration, community-based organizations, minority issues and religion.

In addition to Dr. Osborn and Dr. Rogers, there are ten other voting members of the Commission.

o Diane Ahrens is serving her fourth term as Commissioner of Ramsey County, Minnesota, and is founder of the Tri-County Task Force on AIDS. She is also Chair of the National Association of Counties Task Force on HIV and AIDS.

o Reverend Kenneth Allen is a Baptist minister and Founder of the AIDS Interfaith Network of Dallas.

o Harlon Dalton is Professor of Law at Yale Law School and author of AIDS and the Law: A Guide for the Public.

o Eunice Diaz is Assistant Professor of Family Medicine at the University of Southern California Medical School and is an authority on AIDs among Hispanics. She has also served on the Los Angeles County Commission on AIDS, and the Planning Committee for the Surgeon General's Conference on Pediatric AIDS.

o Donald Goldman is a New Jersey attorney and former president of the National Hemophilia Foundation. He coordinated the Foundation's efforts to improve the safety of the nation's blood supply and many of its efforts to improve hemophilia and HIV service delivery to minorities.

o Dr. Don C. Des Jarlais is Director of Research for the Chemical Dependency Institute of Beth Israel Medical Center and Deputy Director for AIDS Research with Narcotic and Drug Research, Inc.

o Larry Kessler is co-founder and Executive Director of the AIDS Action Committee in Boston which is a community-based service organization staffed by 75 full-time employees and more than 1,500 volunteers. He also serves on the Governor's Task Force on AIDS and the Boston Mayor's Task Force on AIDS.

o Dr. Charles Konigsberg is Director of the Division of Health of the Kansas Department of Health and the Environment. He is the former District Health Program Supervisor and Broward County Public Health Unit Director for the Department of Health and Rehabilitative Services in Fort Lauderdale.

Belinda Mason, a former newspaper journalist, was infected with the AIDS virus through a blood transfusion during the birth of her second child. She founded the first organization in Kentucky and Indiana for people

with HIV disease and she is currently President of the National Association of People with AIDS.

o Dr. J. Roy Rowland, one of the few physicians in Congress, is now serving his fourth term in the U.S. House of Representatives representing the Eighth Congressional District of Georgia. He is the prime sponsor of the legislation establishing the Commission.

There are three ex-officio members of the Commission from the President's Cabinet. They are:

o Richard B. Cheney, Secretary of Defense. Mr. Cheney is the former Chief of Staff to President Gerald Ford, then represented Wyoming in the U.S. House of Representatives from 1979 through 1988.

o Edward J. Derwinski, Secretary of Veterans Affairs. Mr. Derwinski represented Illinois' Fourth Congressional District in the U.S. House of Representatives from 1959 through 1982, and was a senior State Department official from 1983 to 1989.

o Louis W. Sullivan, M.D., Secretary of Health and Human Services. Dr. Sullivan was the first Dean and President of the Morehouse School of Medicine.

Mr. Natcher: The Commission made a report to the President last December. What was the purpose of that report?

Dr. Osborn: The Commission's report to the President was intended to outline the message the Commission heard from health care experts in its November hearing on the provision of health care and the financing of such health care for people with HIV infection and AIDS. The consistent and compelling message the Commission heard was that the public health care system in this country is not working well and nowhere is that more evident than for people with HIV infection and AIDS. The Commission felt the testimony presented during this November hearing was so compelling we should write to the President right away rather than wait until our statutorily required interim report in August 1990 or final report in August 1991. In fact, the Commission decided that it will continue to bring urgent matters to the attention of the President and the Congress as we hear from the experts about the HIV epidemic and what is needed to respond to it.

Mr. Natcher: When will your next report be issued?

Dr. Osborn: We anticipate issuing a second report in the next few weeks.

Mr. Natcher: Will you describe the purpose of your Working Group on Local, State and Federal Responsibilities?

Dr. Osborn: The purpose of the Working Group on Local, State and Federal Responsibilities is to examine the roles of each of these levels of government in the

HIV epidemic. The Commission believes there is clearly a need to better define these roles and explore the potential for more effective intergovernmental cooperation in responding to the HIV epidemic.

Mr. Natcher: Do you think that the Commission is generally satisfied with the Federal government's response to the AIDS epidemic thus far?

Dr. Osborn: No, I do not think the Commission is generally satisfied with the federal government's response to the AIDS epidemic. The federal government's response to the AIDS epidemic thus far has been slow and fragmented. To date, there is no national plan for responding to the epidemic and until there is a comprehensive, coordinated plan, with the dollars to pay for it, far too many will continue to be denied access to health care services and the education and prevention programs essential to stemming the tide of this epidemic.

Mr. Natcher: Is your Commission monitoring the recommendations of the first Presidential AIDS Commission that was chaired by Admiral Watkins?

Dr. Osborn: Yes. In fact, Commission staff have been working with staff from the National AIDS Program Office to design a mechanism that more effectively provides the updates and information the Commission needs to adequately and appropriately monitor the implementation of the Presidential Commission recommendations.

Mr. Natcher: To what extent are these recommendations being implemented by the Public Health Service and others?

Dr. Osborn: To date, it has been difficult to assess the extent to which many of the recommendations have been implemented. It is clear we do not have treatment on demand for drug users and the Americans With Disabilities Act has not yet passed the House of Representatives and been signed into law by the President, thereby guaranteeing the protections against discrimination the Presidential Commission called for. Some of the recommendations have been implemented or are under consideration. The Commission is working with the National AIDS Program Office to better determine the status of these recommendations. We would be happy to keep you apprised of our efforts in this area.

Mr. Natcher: Is the Commission planning to take a look at the Federal government's activities in the area of AIDS education, prevention and public information to see how effective they have been?

Dr. Osborn: The Commission certainly recognizes the crucial importance of HIV education and prevention

programs. We have been and will continue to be looking quite carefully at what the federal government's activities are in this area.

Mr. Natcher: Your prepared statement (p.6) says that the AIDS epidemic in the decade of the 1990's "will be far worse than what we have seen so far". How much worse do you expect it to be?

Dr. Osborn: At least 1 million Americans are infected with HIV. Even if there were no further spread of the virus, we would still be facing major challenges in terms of providing care and treatment for this multitude of individuals. Over 120,000 cases of AIDS have been diagnosed thus far and over 70,000 have died. During the next several years, AIDS will likely claim an additional 200,000 lives. Even the most conservative estimates place the number of new infections each year at 45,000. Since the interval between onset of infection with HIV and onset of AIDS is commonly up to ten years, each increment assures us of certain trouble further into the twenty-first century. By 1991, ten years after the first AIDS cases were reported, AIDS will far exceed all other causes of death for people between the ages of 25 and 44 years.

NATIONAL COMMISSION ON AIDS

FY'91 RECORD QUESTIONS SUBMITTED BY MR. CONTE

Future of AIDS

Mr. Conte: Dr. Osborn, you indicated in your opening statement that the AIDS epidemic will be worse in the 1990's than it was in the 1980's. Can you tell us why?

Dr. Osborn: At least 1 million Americans are infected with HIV. Even if there were no further spread of the virus, we would still be facing major challenges in terms of providing care and treatment for this multitude of individuals. Over 120,000 cases of AIDS have been diagnosed thus far and over 70,000 have died. During the next several years, AIDS will likely claim an additional 200,000 lives. Even the most conservative estimates place the number of new infections each year at 45,000. Since the interval between onset of infection with HIV and onset of AIDS is commonly up to ten years, each increment assures us of certain trouble further into the twenty-first century. By 1991, ten years after the first AIDS cases were reported, AIDS will far exceed all other causes of death for people between the ages of 25 and 44 years.

Mr. Conte: What is being done to assist those cities that are most heavily impacted by the epidemic?

Dr. Osborn: There are a number of legislative initiatives pending in the Congress which would alleviate some of the burdens that cities are now experiencing in the face of the epidemic. The strain on city hospitals and other care facilities has often been overwhelming. There is no doubt that emergency relief is needed from the federal government. Both the Comprehensive AIDS Resources Emergency Act (S.2240) and the AIDS Prevention Act (H.R.4470) would authorize "disaster relief" for areas heavily impacted by AIDS.

Mr. Conte: Are the low-incidence cities doing enough to prepare for their future needs?

Dr. Osborn: Unfortunately, many low-incidence cities are ill-prepared for the tidal wave of AIDS that is approaching. Efforts to avert the problems experienced by New York City and Los Angeles vary from city to city. It is clear, however, that federal dollars are also critical to these areas if ruinous costs and overcrowding are to be avoided. Again, the legislative initiatives mentioned above are designed to address such needs.

Pediatric AIDS

Mr. Conte: Doctor, as you know, the number of pediatric AIDS cases continues to grow. At the present rate, AIDS will be a leading cause of death in children within the next five years.

What do you think should be done in prevention and treatment of children infected with the HIV virus?

Dr. Osborn: It is entirely appropriate to address the special treatment and care needs of children and families within the context of our overall efforts to respond to all people living with HIV infection and AIDS. In terms of prevention it is critical that services for women and children be located in the same place whenever possible. Often mothers will seek health care services needed for their babies but are not able to then gain access to care for themselves.

Mr. Conte: Where are Federal efforts lacking right now?

Dr. Osborn: As with all people living with HIV infection and AIDS, children and their families need access to the state-of-the-art treatments and health care services. Ensuring the availability and accessibility of these services is crucial.

Travel Restrictions

Mr. Conte: Your commission has been out front on changing current immigration regulations concerning HIV-infected travelers. I understand a number of countries and organizations are threatening to boycott the International AIDS conference in San Francisco over immigration policy.

Can you bring us up-to-date on any changes being made in immigration policy?

Dr. Osborn: Many national and international organizations, as well as many governmental entities, have announced or threatened boycotts of conferences in the United States because of U.S. visa and immigration policy as it relates to individuals with HIV infection and AIDS. On April 13, 1990 the Administration announced a change in current U.S. visa policy, proclaiming that for conferences determined by the Secretary of HHS to be in the public interest, individuals would no longer be required to declare their HIV status in order to obtain a special 10-day visa. While this is an important step for meeting the needs of conference participants, much more is needed to correct our overall immigration policy.

Legislation has been introduced in the Congress by Representative J. Roy Rowland (D-GA) (H.R. 4506) which clearly places the responsibility of determining which diseases should prohibit entry into the United States where it belongs -- the U.S. Public Health Service.

Mr. Conte: Why do you think the changes are needed?

Dr. Osborn: Current U.S. immigration policy remains counterproductive, discriminatory, and a waste of resources. The U.S. Public Health Service has found no evidence that HIV is spread by casual social contact and, in fact, has recommended that HIV be removed from the list of "dangerous contagious" diseases which restrict entry into the United States. The PHS believes that it does not have the authority to remove HIV infection from this list and that Congress would have to repeal the law it approved in 1987 before such action could be taken.

Cost of Drugs

Mr. Conte: The costs of AZT and other AIDS related drugs such as aerosolized pentamidine is still way out in orbit. Since AIDS strikes the poor to a greater extent than the rest of the population, the disadvantaged and minority populations, the poor are the ones who are the most vulnerable to the price gouging that's been going on.

Is the cost of AIDS-related drugs still a major problem?

Dr. Osborn: Yes, the cost of AIDS-related drugs remains a serious problem. It will be of increasing concern as more early intervention therapies are developed. Addressing this issue requires a thorough review of the current reimbursement system. Medicaid and private insurance usually do not cover the cost of drugs or treatments until a full blown case of AIDS has been diagnosed. Such policies must be revisited if we are to adequately assist those caught up in the epidemic.

Mr. Conte: What should be done to make AIDS-related drugs more affordable?

Dr. Osborn: The Congress has been responsive to the needs of people with HIV infection and AIDS through the payment assistance program designed to assist low-income individuals receive AZT and other treatments. Support for this program must continue. Both S. 2240 and H.R. 4470 would establish a long-term program for such payment assistance.

Mr. Conte: The President's budget zeroes out the AIDS drug subsidy program. Do you agree with that plan?

Dr. Osborn: The Commission is on record in support of this program and hopes that the Congress will see to it that it continues.

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Access to Care

Mr. Conte: Poor people infected with the AIDS virus face formidable obstacles in obtaining access to care. The inability to pay and the discrimination they face on the basis of their disease have forced many of the poor to not get the treatment the deserve.

Can you share with us the Commission's views on how we can improve access to care for low-income people infected with HIV?

Dr. Osborn: A 1987 survey by the National Public Health and Hospital Institute of health care coverage for people with AIDS found that approximately 25% of people with AIDS are uninsured; 44% are covered by Medicaid; 29% by private insurance; and 1% by Medicare. There is, however, considerable geographic diversity. While nationally, Medicaid is the largest payor for hospitalized people with AIDS, at 44%, coverage ranges from 54% (Northeast) to 18% (South).

In our first report, the National Commission on AIDS made several recommendations in the area of access to care:

a. frank recognition that a crisis situation exists in many cities that will require extraordinary measures to overcome;

b. the creation of a flexible, patient-oriented, comprehensive system of care, closely linking hospital, ambulatory, residential, and home care;

c. comprehensive health care services under one roof. Fragmented services create additional barriers to needed health care. Health care services for women and children need to be provided in one place.

AIDS and Minorities

Mr. Conte: What is the extent of infection in minority groups?

Dr. Osborn: The cumulative incidence of AIDS cases is disproportionately higher in Blacks and Hispanics than in whites. While Blacks constitute 12 percent of the total U.S. population, they represent 27 percent of diagnosed AIDS cases. Hispanics represent 8 percent of the population but 15 percent of people with AIDS. These numbers will continue to grow.

Mr. Conte: Which minority groups have been hit hardest?

Dr. Osborn:. It is clear that Blacks and Hispanics have borne the brunt of the epidemic among minorities. Nevertheless, HIV infection continues to escalate among Native Americans, Asian Americans, and other minorities as well.

Mr. Conte: What is needed to improve prevention and education in minorities?

Dr. Osborn: The National Commission on AIDS believes that far too many individuals at risk for HIV infection have not been reached as of yet. Our hearings and site visits have confirmed this view. Education is most effective when it is targeted to the social and cultural norms of those who may be at risk. The full Commission, will continue to monitor the effectiveness of current federal efforts concerning minorities and, as problems are identified, will make recommendations for improving national efforts on the education and prevention fronts.

Uncertainty over AIDS Extent

Mr. Conte: There has been much debate over the accuracy of AIDS forecasting. These forecasts have important implications for health care and budgeting policy. The GAO put out a report last summer saying that undercounting of cases and lack of key data should be of great concern.

What do you consider to be the most reliable estimates of the extent and future spread of the HIV virus?

Dr. Osborn: As I mentioned earlier, even the most conservative estimates suggest that nearly one million Americans face premature illness from HIV infection and that the minimum number of new infections each year is 45,000 --the more likely number is two to five times that. Much more education is needed if we are to affect the rising numbers of HIV infected Americans.

Mr. Conte: Are better studies needed to accurately determine the extent of the epidemic?

Dr. Osborn: To the extent that information is available the CDC has done a very good job. Of course, additional information is always helpful in determining how best to address the epidemic.

Drug Strategy and AIDS

Mr. Conte: Drug abuse, especially intravenous drug abuse, is perpetuating the spread of AIDS. Your commission called for a national policy of providing treatment on demand for intravenous drug abusers.

Do you think the President's drug treatment plan adequately addresses this problem? What are the weaknesses of the plan?

Dr. Osborn: The President's drug control strategy is inadequate to meet the needs of people infected with HIV. The Commission has gone on record expressing its surprise and disappointment that the White House National Drug Control Strategy rarely mentions AIDS. The dual epidemics of HIV and drug use must be recognized as

interrelated by the Office of National Drug Policy. In fact the Commission invited William Bennett, the Director of the Office of National Drug Control Policy, to our last hearing in Washington. Dr. Herbert Kleber represented Mr. Bennett at our hearing and I think it is safe to say that the Commission continues to have serious concerns about how HIV infection and AIDS fit into our drug control strategy.

Mr. Conte: Other than treatment on demand, what else do you think is essential to controlling I.V. drug abuse and the spread of AIDS?

Dr. Osborn: We must spend more on AIDS and I.V. drug use prevention programs. Outreach to those caught up in these dual epidemics must be enhanced. We must also develop effective methods of access to primary care for drug users.

International

Mr. Conte: Doctor, as everyone knows, AIDS is a world-wide pandemic; cases are found in just about every country. Furthermore, the rate of growth in AIDS cases is out of control in places such as central Africa and just about out of control in Thailand and parts of South America.
How does the overall world AIDS situation compare to the U.S.?

Dr. Osborn: The United States remains the epicenter of the HIV epidemic. It is believed that as many as 10 million individuals are infected worldwide at this time. In testimony before the National Commission on AIDS, Jonathan Mann, M.D, Director of WHO's Global Programme on AIDS, stated that nine times more adults around the world may develop AIDS during the 1990's than developed AIDS during the 1980's.

Mr. Conte: What can we learn about what other countries are doing in treatment and prevention? Are there any good role models?

Dr. Osborn: A number of West European nations have developed effective prevention campaigns. Both Great Britain and France, for example, have devoted significant resources to the prevention of HIV infection in their countries.

Mr. Conte: What is the range of your international contacts?

Dr. Osborn: As a member of the Global Commission on AIDS, I have had the pleasure of getting to know many worldwide leaders in the battle against AIDS.

Budget

Mr. Conte: Your budget calls for $3 million for FY91. What are some of the major new activities you will be sponsoring in the coming year?

Dr. Osborn: In the coming year, the Commission intends to continue to focus on access to health care for people living with HIV infection and AIDS, and the financing of these services. We will also be looking at education and prevention and the role of our public health system in responding to the epidemic. The dual epidemic of HIV infection and drug addiction will also continue to be a priority for the Commission. P.L. 100-607, the law which authorized the Commission, required the Commission to perform a variety of functions which we are currently doing and will continue to do through FY91. We will, as required, also provide a final report to the President and the Congress in August 1991.

Mr. Conte: What are the major issues your working groups will be focusing upon this year?

Dr. Osborn: As a full Commission, we have held hearings on health care and financing; the impact of the epidemic on Southern California; and executive and legislative branch initiatives such as the National Drug Control Strategy and the Pepper Commission's report on longterm care. We are planning to look at issues related to research at our next full Commission meeting. The Commission Working Group on Federal, State and Local Responsibilities held a meeting in St. Paul, Minnesota to examine the roles of each level of government in the HIV epidemic and explore ways to enhance intergovernmental cooperation. The Social/Human Issues Group convened a meeting in Boston, Massachusetts this past February to consider the role of HIV testing and early intervention and discuss the psychosocial needs of people living with HIV infection and AIDS. The full Commission has held site visits in Los Angels, New York City, Newark and Jersey City. This month we are going to rural Georgia to look at the impact of the HIV epidemic on rural communities.

AIDS and Disabilities

Mr. Conte: Dr. Osborn, as you know, the Americans with Disabilities Act has not been considered by the full House as of yet.

How Important is this bill for people with HIV infection and AIDS?

Dr. Osborn: In a statement of support for the ADA (September 6, 1989), the National Commission on AIDS made clear that such discrimination protections were not only necessary to enhance the quality of life for people with AIDS and HIV infection, but were, as the Presidential

Report on the HIV Epidemic and the Institute of Medicine have reported, the linchpin of our nation's effort to control the HIV epidemic.

Mr. Conte: How will the ADA bill help?

Dr. Osborn: As we stated in September, thousands of Americans who should seek voluntary counseling and testing services and many who need life-prolonging medical treatment will not come forward if they believe that doing so could result in the loss of their job or lack of access to public accommodations.

NATIONAL COMMISSION ON AIDS

FY'91 RECORD QUESTIONS SUBMITTED BY MR. STOKES

Mr. Stokes: Dr. Osborn, it is a pleasure to welcome you here in your first appearance before the committee. What is the status of your recruitment and staffing effort? Are you fully staffed?

Dr. Osborn: We have 9 full-time Commission staff members on the Commission payroll and one half-time person. Three additional staff members have been detailed from other agencies. As we indicated in our budget justification for FY91, the Commission could easily use 5 additional staff positions but our current budget would not cover the cost of these staff positions.

Mr. Stokes: To what extent are minorities represented on both the Commission's board and on the staff?

Dr. Osborn: The Commission membership includes Harlon Dalton, Eunice Diaz, and Dr. Louis Sullivan. Harlon Dalton and Dr. Sullivan are of African-American descent and Eunice Diaz is Hispanic. Currently, the Commission staff includes Karen Porter, Melanie Lott and Patricia Sosa. Karen Porter and Melanie Lott are of African-American descent and Patricia Sosa is Hispanic.

Mr. Stokes: In your opening remarks, you stated that this month the Commission will be visiting Georgia to examine programs aimed at confronting the unique challenges posed by AIDS in rural communities. At this time, are you able to give us some idea of what these challenges are?

Dr. Osborn: The Commission has decided to conduct a site visit to rural areas because of the many indications that AIDS has become a serious problem for many small communities across our nation. I will be happy to keep you apprised of our findings in this regard.

Mr. Stokes: You also stated in your opening remarks that AIDS research has enabled scientists to make research advances in other areas, such as cancer. What do you feel we have learned from the AIDS epidemic, if anything, in the areas of health services delivery, health information dissemination, and the control of contagious diseases?

Dr. Osborn: In our first report to the President and the Congress the Commission stated--the public health care system in this country is not working well and nowhere is that more evident than for people with HIV infection and AIDS. While AIDS is not the cause of the health care system's disarray, it may well be the crisis

that could pressure responsible national action to correct its serious shortfalls.

The HIV epidemic has allowed us to recognize that our health care system is very focused upon tertiary acute care. The reimbursement system is not responsive to non-hospitalized care, which plays a major role in meeting the care needs of people with HIV infection and AIDS. This epidemic has also taught us the value of input from those being served as to the needs of patients.

We have also learned that education and prevention programs are essential to stem the tide of the HIV epidemic.

Mr. Stokes: Members of this Committee and other members of Congress have recently heard alot about pediatric AIDS and the adequacy of support for pediatric AIDS.

What are your observations about the current support for pediatric AIDS?

Dr. Osborn: We must continue to devote adequate resources to programs aimed at children and their families.

Mr. Stokes: Do you feel it would be appropriate to separate out pediatric AIDS from the entire AIDS effort in order to give it more attention?

Dr. Osborn: I don't know how much we want to fragment an already fragmented system. However, it is entirely appropriate to address the special treatment and care needs of children and families affected by HIV infection within the context of our overall efforts to respond to all people living with HIV infection and AIDS.

Mr. Stokes: As you know, last year Congress did not specify the level of AIDS funds to be expended by the individual NIH Institutes. In your opinion, is this type of earmark necessary?

Dr. Osborn: The full Commission has not addressed this issue as of yet. However, I do believe it is critical that funds allocated to NIH for AIDS research be spent on AIDS research.

Mr. Stokes: Do we know yet whether bleach distribution programs have been effective in preventing the spread of HIV?

Dr. Osborn: The Commission has gone on record in support of continued funding for NIDA research and demonstration projects designed to determine the efficacy of bleach distribution for the purpose of reducing the spread of HIV. Though many were skeptical in the beginning the NIDA projects appear to be producing interesting results. For example, the San Francisco NIDA project data indicate that distribution of syringes with

bleach has become a common practice and that safe needle hygiene was reportedly used 16% of the time on average in 1986. By 1989, safe needle hygiene was reportedly used 79% of the time. Requests for treatment are also up, as is condom use among I.V. drug users.

Mr. Stokes: The Commission's first report noted that the health care system has been singularly unresponsive to the needs of HIV infected people. You are probably aware that the President's budget calls for a decrease of $39.8 million in AIDS funding for the Health Resources and Services Administration. The AZT program, the Home Health Services Program, and the Subacute Care Program are all slated for elimination. Would you care to comment on the President's budget for AIDS, particularly in the area of health services?

Dr. Osborn: More federal dollars are needed in the area of health services and I am sure I speak for the entire Commission when I say the funding for the drug reimbursement program, home health and subacute care is essential.

NATIONAL COMMISSION ON AIDS

FY'91 RECORD QUESTIONS SUBMITTED BY MR. DWYER

Mr. Dwyer: It has been reported that over 90% of all hemophiliacs are seropositive for HIV. The majority of these individuals acquired the disease through either a contaminated blood transfusion or the use of a contaminated blood clotting factor. I was very pleased when Donald Goldman was named to the National Commission on AIDS--not only because he is from my home state of New Jersey, but also because of his extensive work with hemophiliacs. What efforts are being made to insure that hemophiliacs are no longer being ignored in our war against AIDS?

Dr. Osborn: I share your admiration of Don Goldman and can assure you he is an active, and most appreciated member of the Commission. I can also assure you the Commission has made every effort to ensure that the hemophilia community is involved in our deliberations and site visits.

Mr. Dwyer: Are there any AIDS-related diseases which are unique to hemophiliacs?

Dr. Osborn: I am not aware of any HIV-related diseases that are unique to hemophiliacs.

Mr. Dwyer: What did you learn at your New Jersey hearing about hemophilia and AIDS?

Dr. Osborn: The Commission's visit to New Jersey provided us with a greater understanding of the innovative programs designed to serve the hemophilia community. As we seek solutions to the problems facing people with HIV infection and AIDS, we will certainly keep in mind what we have learned from those who have provided care and support services to the hemophilia community.

Mr. Dwyer: The State of New Jersey has been especially hard hit by Pediatric AIDS. Five metropolitan areas in the state, two of which are in my district, are among our nation's top twenty-five for Pediatric AIDS infection. Generally, one, and in many cases both, parents of these children are sero-positive for HIV and are intra-venous drug users.

In your preliminary report, you faulted education and prevention efforts for neglected drug addicts. The alarming increases in IV-drug users with AIDS and their children underscore how we have failed in this area. What can we do to improve outreach efforts to IV-drug users?

Dr. Osborn: The Commission has gone on record in support of continued funding for NIDA research and demonstration projects designed to determine the efficacy of bleach distribution for the purpose of reducing the spread of HIV. Though many were skeptical in the beginning the NIDA projects appear to be producing interesting results. For example, the San Francisco NIDA project data indicate that distribution of syringes with bleach has become a common practice and that safe needle hygiene was reportedly used 16% of the time on average in 1986. By 1989, safe needle hygiene was reportedly used 79% of the time. Requests for treatment are also up, as is condom use among I.V. drug users.

Like the Presidential Commission on the HIV Epidemic, the National Commission on AIDS has also urged that "treatment on demand" be available to intravenous drug users who seek it.

Mr. Dwyer: The Commission has stated that "it is imperative to curb drug abuse, especially intravenous drug abuse, by means of treatment." You have also come out in support of the continuation of research and demonstration programs for clean needles. How would you respond to critics who contend that clean needle programs could encourage drug use?

Dr. Osborn: The Commission has gone on record in support of continued funding for NIDA research and demonstration projects designed to determine the efficacy of bleach distribution for the purpose of reducing the spread of HIV. We have also indicated support for providing treatment on request to drug users. With respect to clean needle programs, the Commission has not examined the issue or taken a position on the distribution of needles for the purpose of reducing the spread of HIV.

Mr. Dwyer: What are the Commission's views on the President's latest drug strategy?

Dr. Osborn: The President's National Drug Control Strategy is not meeting the needs of people infected with HIV. The Commission has gone on record expressing its surprise and disappointment that the White House National Drug Control Strategy rarely mentions AIDS. The dual epidemics of HIV and drug use must be recognized as interrelated by the Office of National Drug Policy.

Mr. Dwyer: With the greater use of the drug AZT, many AIDS patients are living long enough to claim disability and are becoming eligible for Medicare benefits. I have several constituents, who have AIDS and are Medicare-eligible. Will you be examining Medicare's response to the growing number of AIDS patients, who are becoming beneficiaries?

Dr. Osborn: The Commission will continue to examine issues relating to the increasing numbers of people with AIDS who are Medicare eligible. It is our intention to look closely at the recently announced recommendations of the Pepper Commission concerning Medicare and services for the chronically ill.

NATIONAL COMMISSION ON ACQUIRED IMMUNE DEFICIENCY SYNDROME
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EXECUTIVE DIRECTOR
Laurence Kotler

JUSTIFICATION OF THE BUDGET ESTIMATES

NATIONAL COMMISSION ON ACQUIRED IMMUNE DEFICIENCY SYNDROME

Budget Request

for

Fiscal Year 1991

Subcommittee on Labor, HHS, Education
& Related Agencies

Committee on Appropriations
U.S. House of Representatives

April 1988

NATIONAL COMMISSION ON AIDS

FY 1991 Budget	Page No.
Proposed Appropriation Language	1
Description of Agency	2
Budget Justification	5
Commission Testimony	Attachment
Commission Initiatives	Attachment

FY 1991 Appropriation Language

NATIONAL COMMISSION ON ACQUIRED IMMUNE DEFICIENCY SYNDROME

For expenses necessary for the National Commission on Acquired Immune Deficiency Syndrome as authorized by Subtitle D to title II of Public Law 100-607, [$1,000,000] $3,000,000. (Departments of Labor, Health and Human Services, and Education, and Related Agencies Appropriations Act, 1990.)

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Charles Konan

National Commission on AIDS

The 15 members of the National Commission on the Acquired Immune Deficiency Syndrome took office on August 3, 1989.

The Commission is an independent body created by Congress (Public Law 100-607) to make recommendations to Congress and the President "for a consistent national policy concerning AIDS" and the human immunodeficiency virus (HIV) epidemic. The statute authorizes the Commission to hire staff, hold public hearings, conduct studies and otherwise function to fulfill those responsibilities.

The Commission will exist for two years, with the option of being extended by order of the President. While the Commission is required to make annual reports, it has already spoken out on issues such as federal drug treatment policy, anti-discrimination legislation, health care delivery and immigration law relative to HIV. Other periodic reports are expected before the annual reports in August, 1990 and 1991.

The Commission's work comes as the number of reported cases of fully developed AIDS is expected to quadruple from the July, 1989 total of 100,000 to 350,000 or more by the end of 1992. Major issues before the Commission include finding mechanisms to finance and deliver care and treatment to persons with AIDS and the much larger number, estimated at more than one million, who are infected with HIV. Discrimination against those with HIV, education and prevention programs, legal and social issues, research and access to experimental drugs, training of health care professionals, and the roles of the private sector and local, state and federal agencies are also major concerns of the Commission.

Five members of the Commission were appointed by the Senate, five by the House and two by President Bush. In addition the Secretary of Defense, the Secretary of Health and Human Services and the Secretary of Veterans Affairs are non-voting members of the Commission.

On August 3, 1989 the Commissioners elected June E. Osborn, M.D., as their Chairman, and David E. Rogers, M.D., as Vice Chairman.

Dr. Osborn, who is Dean of the School of Public Health, University of Michigan, serves on a number of AIDS advisory panels including those for the Global Commission on AIDS for the World Health Organization, the Robert Wood Johnson Foundation, the PEW Charitable Trusts and the Rockefeller Foundation, among others.

Dr. Rogers is also the Chairman of the AIDS advisory panels to the state of New York and to New York City, which has the largest number of persons with AIDS of any city in the United States. He is also the Walsh McDermott University Professor of Medicine at Cornell University Medical College. Dr. Rogers is the former Dean of Medicine and Vice President for Medical Affairs at Johns Hopkins University. For 15 years he was President of the Robert Wood Johnson Foundation.

Members of the Commission were appointed by Democratic and Republican members of Congress and by the President of the United States. They represent a broad array of expertise in medicine, public health, law, public administration, community-based organizations, minority issues and religion.

In addition to Dr. Osborn and Dr. Rogers, there are ten other voting members of the Commission.

- Diane Ahrens is serving her fourth term as Commissioner of Ramsey County, Minnesota, and is founder of the Tri-County Task Force on AIDS. She is also Chair of the National Association of Counties' Task Force on HIV and AIDS.
- Rev. Scott Allen is a Baptist minister and Founder of the AIDS Interfaith Network of Dallas.
- Harlon Dalton is Professor of Law at Yale Law School and author of AIDS and the Law: A Guide for the Public.
- Eunice Diaz is Assistant Professor of Family Medicine at the University of Southern California Medical School and is an authority on AIDS among Hispanics. She has also served on the Los Angeles County Commission on AIDS, and the Planning Committee for the Surgeon General's Conference on Pediatric AIDS.
- Donald Goldman is a New Jersey attorney and former president of the National Hemophilia Foundation. He coordinated the Foundation's efforts to improve the safety of the nation's blood supply and many of its efforts to improve hemophilia and HIV service delivery to minorities.
- Dr. Don C. Des Jarlais is Director of Research for the Chemical Dependency Institute of Beth Israel Medical Center and Deputy Director for AIDS Research with Narcotic and Drug Research, Inc.
- Larry Kessler is co-founder and Executive Director of the AIDS Action Committee in Boston which is a community-based service organization staffed by 75 full-time employees and more than 1,500 volunteers. He also serves on the Governor's Task Force on AIDS and the Boston Mayor's Task Force on AIDS.

0 Dr. Charles Konigsberg is Director of the Division of Health of the Kansas Department of Health and the Environment. He is the former District Health Program Supervisor and Broward County Public Health Unit Director for the Department of Health and Rehabilitative Services in Fort Lauderdale.

0 Belinda Mason, a former newspaper journalist, was infected with the AIDS virus through a blood transfusion during the birth of her second child. She founded the first organization in Kentucky and Indiana for people with HIV disease and she is currently President of the National Association of People with AIDS.

0 Dr. J. Roy Rowland, one of the few physicians in Congress, is now serving his fourth term in the U.S. House of Representatives representing the Eighth Congressional District of Georgia. He is the prime sponsor of the legislation establishing the Commission.

There are three ex-officio members of the Commission from the President's Cabinet. They are:

0 Richard B. Cheney, Secretary of Defense. Mr. Cheney is the former Chief of Staff to President Gerald Ford, then represented Wyoming in the U.S. House of Representatives from 1979 through 1988.

0 Edward J. Derwinski, Secretary of Veterans Affairs. Mr. Derwinski represented Illinois' Fourth Congressional District in the U.S. House of Representatives from 1959 through 1982, and was a senior State Department official from 1983 to 1989.

0 Louis W. Sullivan, M.D., Secretary of Health and Human Services. Dr. Sullivan was the first Dean and President of the Morehouse School of Medicine.

FY91 Budget Justification

FY90	FY91 Request
$1 m	$3 m

Object Classification

09-1300-0-1-881	FY 1989 ACTUAL	FY 1990 ESTIMATE	FY 1991 ESTIMATE
Personnel Compensation:			
11.1 Full-time permanent	0	426	668
11.3 Other than full-time permanent	0	91	185
11.9 Total personnel compensation	0	517	853
12.1 Personnel benefits: Civilian	0	93	150
21.0 Travel and transportation of persons	0	105	200
22.0 Transportation of things	0	0	0
23.1 Rental payments to GSA	0	71	75
23.3 Communications, utilities, and miscellaneous charges	0	35	200
24.0 Printing and reproduction	0	35	150
25.0 Other services	0	119	495
26.0 Supplies and materials	0	5	45
31.0 Equipment	0	20	60
99.9 Total obligations	0	1,000	3,000

Staff Positions:

Full-time Permanent	9	15

Personnel Compensation: The budget request for personnel compensation includes the personnel costs for the Commission's current 9 full-time and 1 part-time permanent staff positions. It also includes the per day compensation provided to each eligible Commissioner when the Commissioners meet to conduct official Commission business. (Note: According to Public Law 100-607, Members of the Commission who are officers or employees or elected officials of a government entity do not receive compensation.)

The request includes sufficient funds to expand the current number of staff to approximately 15 full-time staff positions. These additional staff are needed in a variety of areas including medicine and health care financing.

Travel: The budget request includes a significant increase for travel-related expenses. To date, the Commission has conducted six full commission meetings, two working group meetings and one 2-day site visit. At least three additional site visits are scheduled for FY90 as well as two additional full commission meetings. Working Group meetings will also be held over the coming months.

In order to meet its statutory mandate of developing a national consensus on policy concerning AIDS, the Commission believes it is essential to see first-hand the impact of the HIV epidemic in the United States and its territories, and to meet with those who are living with HIV infection and AIDS and those who are providing services to people with HIV infection and AIDS. (A list of all Commission meetings and site visits is attached.) The Commission plans to travel extensively in FY91 and has requested an increase in funds to do so.

The Commission also believes it is essential to hear testimony from people with HIV infection and AIDS and others who offer a variety of perspectives and experiences, as well as geographic diversity. Therefore, the Commission pays for the expenses of those witnesses who testify before the Commission who have no other means of payment. The Commission plans to continue this policy and has requested additional funds to cover this expense.

Other Services: The Commission has requested a significant increase in this category for FY91 for research contracts, GSA support and technical and professional support. Public Law 100-607 requires that the Commission perform specific functions that require the assistance of experts in the areas of health care delivery; AIDS education and prevention strategies; behavioral science; substance use; drug development; health care financing and others. These issues which are complex and comprehensive will require scientific and expert consultation from economists, public health specialists, and health care and human service professionals. The availability of funds for this purpose is crucial in FY91 in examining the issues stated above, in preparing the Commission's final report to

the President and the Congress and in fulfilling its statutory mandate of performing the following functions:

(1) Evaluate the adequacy of, and make recommendations regarding, the financing of health care and research needs relating to AIDS, including the allocation of resources to various Federal agencies and State and local governments and the roles for and activities of private and public financing.

(2) Evaluate the adequacy of, and make recommendations regarding, the dissemination of information that is essential to the prevention of the spread of AIDS, and that recognizes the special needs of minorities and the important role of the family, educational institutions, religion, and community organizations in education and prevention efforts.

(3) Address any necessary behavioral changes needed to combat AIDS, taking into consideration the multiple moral, ethical, and legal concerns involved, and make recommendations regarding testing and counseling concerning AIDS, particularly with respect to maintaining confidentiality.

(4) Evaluate the adequacy of, and make recommendations regarding, Federal and State laws on civil rights relating to AIDS.

(5) Evaluate the adequacy of, and make recommendations, regarding the capability of the Federal Government to make and implement policy concerning AIDS (and, to the extent feasible to do so, other diseases, known and unknown, in the future), including research and treatment, the availability of clinical trials, education and the financing thereof, and including specifically--

(A) the streamlining of rules, regulations, and administrative procedures relating to the approval by the Food and Drug Administration of new drugs and medical devices, including procedures for the release of experimental drugs; and

(B) the advancement of administrative consideration by the Health Care Financing Administration relating to reimbursement for new drugs and medical devices approved by the Food and Drug Administration.

(6) Evaluate the adequacy of, and make recommendations regarding, international coordination and cooperation concerning data collection, treatment modalities, and research concerning AIDS.

Communications, utilities, and miscellaneous charges: The Commission mainatins a mailing list of more than 500 individuals and organizations. With the projected increase in postage as well as the increase in requests to receive Commission information and documents, the Commission has requested a significant increase in the budget for mailing and other communication functions.

Eleven of the fifteen Commission members are not located in Washington, D.C. Given the high level of activity of the full Commission and its Working Groups, the FY91 budget request is essential to meet the cost of the Commission's telephone system and operations.

Rental payments to GSA: The Commission occupies 2600 square feet at 1730 K Street at a cost of $27.52 per square foot.

HEARING DATES

NATIONAL COMMISSION ON AIDS

August 3, 1989.....Washington, D.C.

August 17, 1989.....Washington, D.C.

September 18, 19.....Washington, D.C.

November 2, 3.....Washington, D.C.

January 24, 25, 26.....Los Angeles, CA

March 15, 16.....Washington, D.C.

May 7, 8.....Washington, D.C.

July 18, 19.....Washington, D.C.

WORKING GROUP SCHEDULE

FEDERAL, STATE, LOCAL RESPONSIBILITIES

January 4, 5.....St. Paul, Minn.

SOCIAL/HUMAN ISSUES

February 15, 16.....Boston, Mass.

SITE VISIT SCHEDULE

February 26, 27.....New York City/Newark, NJ

Focusing on issues related to
homelessness and HIV infection;
and HIV infection and drug use.

April 16, 17.....Rural Georgia

Focusing on HIV/AIDS
in rural communities.

COMMISSION INITIATIVES

I.	September 6, 1989	Statement on Americans With Disabilities Act
II.	September 19, 1989	Statement on the FY '90 Appropriations
III.	September 26, 1989	Statement of Support for Treatment on Demand
IV.	November 7, 1989	Statement on Bleach and HIV Control Research
V.	December, 1989	Resolution on U.S. Visa and Immigration Policy
VI.	December 5, 1989	Report Number One -- Letter to President George Bush
VII.	March 6, 1990	Statement on the "CARE" Act of 1990
VIII.	March 15, 1990	Statement on Whether or When Epidemic May 'Peak'

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September 6, 1989
For Immediate Release

For more information
contact Carlton Lee
(202) 254-5125

STATEMENT OF SUPPORT FOR AMERICANS WITH DISABILITIES ACT

We, the Members of the National Commission on Acquired Immune Deficiency Syndrome (AIDS) strongly support passage of the Americans with Disabilities Act, legislation which would implement the key recommendation of the Presidential Commission on the Human Immunodeficiency Virus Epidemic.

People living with AIDS and HIV infection, and those regarded as such, deserve the same discrimination protections as all people with disabilities. Such protections from discrimination are not only necessary to enhance the quality of life for people with AIDS and HIV infection, they are -- as the Presidential Report and the Institute of Medicine have reported -- the linchpin of our nation's efforts to control the HIV epidemic.

Thousands of Americans who should seek voluntary counseling and testing services and many who need life-prolonging medical treatment will not come forward if they believe that doing so could result in the loss of their job or lack of access to public accommodations. Legislation that is based not only on compassion but sound public health principles is a must if we are to reach and assist these individuals.

We are extremely pleased that the majority of the United States Senate and the White House have made a bipartisan commitment to enact the Americans with Disabilities Act. We oppose any efforts to reduce the scope of coverage of the present bill, particularly with respect to HIV, the specific focus of this commission. The ADA will provide a clear and comprehensive mandate to greatly extend discrimination protections for people with disabilities. We are proud to endorse this landmark legislation.

NATIONAL COMMISSION ON AIDS
Washington, D. C.

September 19, 1989
For Immediate Release

For more information
contact Tom Brandt
(202) 755-2446

STATEMENT ON THE FY '90 APPROPRIATIONS

We, the Members of the National Commission on Acquired Immune Deficiency Syndrome (AIDS), strongly support the increase in AIDS funding endorsed by both Houses of Congress and the Administration. While we believe that much work remains to secure adequate funding for the national battle against AIDS, we also recognize the fiscal challenges facing the Congress.

We are particularly pleased that the Senate Committee on Appropriations has increased the total AIDS budget to accommodate humane and cost-effective programs designed to meet the burgeoning care needs resulting from the HIV epidemic. The Congress made clear the priority it places on the health care needs of people with AIDS and HIV in the AIDS legislation that was unanimously approved last fall. Being able to provide access to lifesaving medical treatment to those who face poverty and death is not only a compassionate response to the crisis but a sound public health strategy for bringing the epidemic under control. The most compelling incentive for individuals to step forward for HIV counseling and testing is the availability of effective treatment and appropriate medical care.

The Commission is most invigorated by the task of advising both the Administration and the Congress. It is a responsibility that we accept with great determination. Given the gravity of the HIV epidemic, we are fortunate to have an abundance of sound data on which to base our public health policy decisions. With this in mind, we urge the Congress to be deliberative in its policy-making processes and to resist fragmented approaches to public policy via amendments to the FY '90 Appropriations bill.

The National Commission on AIDS stands ready to review and comment on proposals under consideration by the Congress for addressing the challenges presented by the HIV epidemic.

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EXECUTIVE DIRECTOR
Thomas Brandt

FOR IMMEDIATE RELEASE
September 26, 1989

Contact: Thomas Brandt
(202) 254-5125

STATEMENT OF SUPPORT FOR TREATMENT ON DEMAND FOR DRUG USERS

The new National Commission on AIDS strongly endorses the position taken by the Presidential Commission on the HIV Epidemic in its report of June, 1988 recommending the goal of treatment on demand for all drug users who request it.

The Presidential Commission's position is articulated in the following statement found on page 95 of the report:

"The Commission believes it is imperative to curb drug abuse, especially intravenous drug abuse, by means of treatment in order to slow the HIV epidemic. Because a clear federal, state, and local government policy is needed, the Commission recommends a national policy of providing treatment on demand for intravenous drug abusers."

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Press Release
Tuesday, November 7, 1989

Contact: Thomas Brandt
202-254-5125

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Hon. Louis W. Sullivan, M.D.

EXECUTIVE DIRECTOR
Warren Bruce

NATIONAL COMMISSION ON AIDS TAKES POSITION ON BLEACH AND HIV CONTROL RESEARCH

The National Commission on AIDS today released a statement in support of research projects designed to determine the effectiveness of bleach distribution to intravenous drug users as a means to control the spread of the human immunodeficiency virus (HIV), which causes AIDS. The statement says:

"The National Commission on AIDS strongly supports the continuation of research and demonstration projects involving the distribution of bleach to reduce the spread of HIV among intravenous drug users until the efficacy of this approach can be determined. This determination should be made by the Assistant Secretary for Health or the Secretary of Health and Human Services."

Dr. June Osborn, Chairman of the Commission, said today that it is important to public health to know whether any of the various methods of distributing bleach to IV drug users can reduce the spread of HIV.

Dr. David Rogers, Vice Chairman of the Commission, said, "In the United States the conquest of AIDS will be determined by how effectively we can contain the spread of HIV among drug users."

-more-

Several experiments are underway in the United States to distribute common household bleach to IV drug users in the hope that it would be used to sterilize shared syringes and hypodermic needles.

Currently there is an increase in the rate of new cases of HIV disease among IV drug users. IV drug users also account for many heterosexually transmitted cases of AIDS. Most infants who contract HIV disease are infected by their mothers who are either IV drug users or the sexual partners of IV drug users.

Congress may deal with the bleach issue during reconsideration of the upcoming FY '90 appropriation bill for the Department of Health and Human Services.

The National Commission on AIDS is an independent body created by Congress to oversee the national efforts against the AIDS epidemic and to make "recommendations for a consistent national policy concerning AIDS."

Five members were appointed by the Senate, five by the House and two by the White House. In addition the Secretary of Defense, the Secretary of Health and Human Services, and the Secretary of Veterans Affairs are non-voting members.

-30-

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RESOLUTION ON U.S. VISA AND IMMIGRATION POLICY

CHAIRMAN
[illegible]

MEMBERS
[illegible]

December 1989

WHEREAS, policies which govern the medical examination and exclusion of aliens from the United States based upon communicable disease should be determined by sound public health policies alone; and

WHEREAS, these policies need a comprehensive and thorough review based only on public health needs, because other considerations, particularly myth, prejudice and social stigmatization, have been historically but inappropriately considered; and

WHEREAS, the United States Public Health Service has stated that there is no evidence that the Human Immunodeficiency Virus (HIV) is spread through casual social contact; and

WHEREAS, the World Health Organization (WHO) has concluded that screening of international travelers cannot prevent the introduction or spread of HIV infection; and

WHEREAS, in its June 1988 report, the Presidential Commission on the HIV Epidemic concurred with the WHO that "the screening of international travelers for HIV infection would require an unjustified, immense diversion of resources from other critical programs of education, protection of the blood supply, and care"; and

WHEREAS, current practices, particularly as they relate to HIV infection, are counterproductive, discriminatory and represent a waste of resources which could be better used in other ways; and

WHEREAS, these practices, in particular, threaten the attendance of participants from all over the world at the Sixth International Conference on AIDS scheduled for San Francisco and the XIX International Congress of the World Federation of Hemophilia scheduled for Washington, D.C.; and

WHEREAS, the promise of global cooperation on important issues of public health is being jeopardized by current U.S. immigration policy; and

WHEREAS, the Department of Justice has extraordinary power and authority to grant waivers or to take such other action as may be in the best interests of the United States particularly where modification of such practices would cause no danger to the public health and no increased risk of disease spread;

BE IT RESOLVED, that the National Commission on Acquired Immune Deficiency Syndrome recommends and calls upon the Administration to immediately implement the following:

- M O R E -

1. The Department of State, the Department of Justice and the Department of Health and Human Services should conduct a comprehensive review of immigration policies as they regard communicable disease, particularly HIV infection, focusing on public health needs.

2. Nonimmigrants, such as conference participants, should not be questioned regarding their HIV status as a condition for entry into the United States or for issuance of a visa. Similarly, persons carrying medications or products associated with HIV infection or hemophilia should not be subject to detention or questioning.

3. The following practices should also be implemented pending the comprehensive overall review of immigration policies recommended above:

A. For applicants who otherwise qualify for legalization asylum, or refugee status and who may be infected with HIV, standards for waivers should be liberally applied and they should be routinely granted particularly where family unity, humanitarian and or public interest grounds may exist.

B. For applicants who otherwise qualify for permanent residency and who may be infected with HIV, similar waiver procedures should be adopted to the extent permitted by law.

C. The Department of State, the Department of Health and Human Services and the Immigration and Naturalization Service should engage in cooperative efforts to institute policies and disseminate information targeted at notifying relevant alien groups of the availability of waivers and the circumstances under which they are granted.

D. To the extent that HIV testing is part of any medical examination of applicants for permanent residency, refugee status or legalization, the Immigration and Naturalization Service and the Centers for Disease Control should carefully monitor training and compliance with their instructions to Designated Physicians. Particular attention should be paid to pre and post-test counselling, confidentiality and appropriate referrals of persons for medical care and follow-up counselling.

E. Confidentiality should be protected where HIV testing is part of the medical examination of applicants for visas, permanent residency, asylum, refugee status or legalization. Permanent markings in passports (including the use of codes which may become known) which in any way suggest that a person is infected with HIV or any other designated communicable disease should be prohibited. Where medical examinations take place, steps should be taken to safeguard all medical information (including HIV status), particularly from staff recruited locally in foreign countries.

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CHAIRMAN
[illegible] M.D.
MEMBERS
[illegible]
EXECUTIVE DIRECTOR

December 5, 1989

President George Bush
The White House
Washington, DC 20500

Dear President Bush:

The official charter for the National Commission on Acquired Immune Deficiency Syndrome (AIDS) was signed on August 2, 1989. Since that time the National Commission has convened a series of hearings to solicit information and recommendations from experts in the field of medicine and public health policy to assist the Commission in meeting its statutory mandate of "promoting the development of a national consensus on policy concerning acquired immune deficiency syndrome."

The testimony we recently heard on health care and financing was so compelling we felt it is vital to write to you now, rather than wait until our statutorily required annual report next August. In fact, the Commission will continue to bring these urgent matters to your attention and to the attention of Congress as we hear from the experts about the Human Immunodeficiency Virus (HIV) epidemic and what is needed to respond to it.

The following represents the first of such reports which we hope will prompt appropriate action.

National Commission
on
Acquired Immune Deficiency Syndrome

Report Number One

OVERVIEW

"We don't have time to sit around and have this Commission live out its life and issue another report and have another report, another Commission.... We have to act and we have to act swiftly."

This testimony was presented before the National Commission on Acquired Immune Deficiency Syndrome at a hearing held in Washington, D.C., November 2nd and 3rd of this year. The Commission convened a meeting of experts to examine the global, national and local challenges confronting the United States in the HIV epidemic. The message from the experts was clear and alarming:

- There is a dangerous, perhaps even growing, complacency in our country toward an epidemic that many people want to believe is over.
- Far from over, the epidemic is reaching crisis proportions among the young, the poor, women and many minority communities. In fact, the 1990's will be much worse than the 1980's.
- The link between drug use and HIV infection must be acknowledged and addressed in any national drug strategy.
- There is no national plan for helping an already faltering health care system deal with the impact of the HIV epidemic.

Over the coming months, the Commission intends to bring the message of experts who have studied the problems and proposed the solutions to those who have the power to act. The Commission believes it is time to match rhetoric with action.

This letter is intended to outline the first of these messages from experts in the field of health care and financing: the public health care system in this country is not working well and nowhere is that more evident than for people with HIV infection and AIDS. While AIDS is not the cause of the health care system's disarray, it may well be the crisis that could pressure responsible national action to correct its serious shortfalls.

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SCOPE OF THE PROBLEM

To date, AIDS has claimed more American lives than the Vietnam War. Over the course of the next four years in this country, AIDS will likely claim an additional 200,000 lives. It is estimated that by 1991 AIDS will be among the top ten leading causes of death in the United States. Nearly one-half of all AIDS cases reported to the Centers for Disease Control (CDC) through May 1989 were diagnosed in people 30 to 39 years old. By 1991, ten years after the first AIDS cases were reported, AIDS will far exceed all other causes of death for people between the ages of 25 and 44 years. In testimony before the Commission, it was stated that nine times more adults around the world may develop AIDS during the 1990's than have developed AIDS during the 1980's.

The proportion of AIDS cases with intravenous drug use as a risk behavior has risen from 25 percent prior to 1985, to 30 percent in 1988. In New York City, alone, an estimated 100,000 intravenous drug users are HIV-infected.

The HIV epidemic is not just a New York City or a San Francisco problem as some would like to believe. While it is true that before 1985, 44 percent of all cases of AIDS were diagnosed in the New York City or San Francisco areas, by 1988 this proportion had fallen to 25 percent. By 1991, it is expected that 80 percent of new AIDS cases will come from outside New York City and San Francisco.

In increasing numbers, these new cases will be women and children. As one prominent pediatrician from New Jersey told the Commission, "As a society, we claim to protect and cherish our children, but in fact, we have placed women and children squarely in front of an onrushing HIV epidemic."

The cumulative incidence of AIDS cases is disproportionately higher in Blacks and Hispanics than in whites. Fully 25 percent of all persons with AIDS in the United States are African-American and the number is growing. In fact, there has been, as one witness told the Commission, "a disproportionate impact of HIV on disenfranchised populations, gays, the poor, racial minorities, women, adolescents and drug users--populations having already less than optimal access to quality health care.... The development of a national care and treatment strategy will require a rethinking of our past effort."

ACCESS TO CARE

Recent years have seen considerable advances in the development of new HIV-related drugs, including the prospect of treating HIV infection before symptoms develop. But scientific

breakthroughs mean little unless the health care system can incorporate them and make them accessible to people in need.

The belief that Medicaid will pay for the health care needs of the growing number of low income people with HIV infection and AIDS is, as one expert witness told the Commission, a "Medicaid fantasy." According to a 1987 U.S. Hospital AIDS Survey, almost one quarter of all AIDS patients have no form of insurance, private or public. Less than 20 percent of the persons with AIDS treated in southern hospitals were covered by Medicaid, compared with 55 percent in the Northeast and 44 percent nationwide.

For the medically disenfranchised, there is no access to a system of care. For those who have no doctor, no clinic, no means of payment, access to health care services is most often through the emergency room door of one of the few hospitals in the community that treats people with HIV infection and AIDS. Five percent of the nation's hospitals treat fifty percent of the people with AIDS.

For those who are covered by Medicaid, access to care is better than for those who have no insurance at all. However, the obstacles to care under Medicaid funding can be insurmountable for many. One obstacle is the wide variation among states in Medicaid eligibility and scope of benefits. The Food and Drug Administration (FDA), under considerable public pressure, has struggled with mechanisms to speed new drugs to the market. Yet there is no requirement that Medicaid make even life-prolonging drugs such as zidovudine (AZT) available.

Another obstacle to needed care for persons with HIV infection and AIDS who qualify for Medicaid is the low reimbursement rates. Stunning examples of Medicaid physician compensation rates far below those by private insurance or Medicare were illustrated during the Commission hearing. For example, a new patient intermediate office visit in New York City is compensated by Blue Cross at $78, by Medicare at $80, and by Medicaid at $7. One witness indicated that physicians in New York with large AIDS practices were reluctant to refer Medicaid patients for specialty consultations because of low levels of reimbursement--levels so low that several physicians said the few dollars at stake per office visit were not worth the time and paperwork to bill the Medicaid program.

In summary, a series of problems have resulted in a health care system singularly unresponsive to the needs of HIV infected people: the initial appearance of HIV infection and AIDS in groups often shunned by the larger society - gay men, the poor, minorities, and intravenous drug users encouraged a slow response, a gross lack of training support for primary care

physicians to treat people with HIV infection and AIDS, and serious disincentives for physicians to take Medicaid patients and perhaps poor people in general.

WHAT IS NEEDED?

FIRST, frank recognition that a crisis situation exists in many cities that will require extraordinary measures to overcome. Significant changes must be made not only in our health care system but in how we think about the system and the people it is designed to serve. As one witness told the Commission, it can no longer be "business as usual."

SECOND, the creation of a flexible, patient-oriented, comprehensive system of care, closely linking hospital, ambulatory, residential, and home care. Primary care physicians must be central to such a system. But if primary care doctors are to care for patients with HIV infection and AIDS, they need the financial, social and institutional support to assist them in managing complicated patients.

THIRD, consideration of the creation of regional centers or networks of care, perhaps using the already existing regionalized hemophilia treatment program as a model. These centers would not serve as a replacement for the care provided by primary care physicians but would provide backup and consultation to help strengthen community based primary care.

It is essential that everyone be afforded early intervention and access to care. In addition, the availability of backup and consultation from appropriate specialists is required to provide the assistance and encouragement primary care doctors need to see more people with HIV infection and AIDS. Regional centers should also provide the appropriate link with the hospital when hospital services are needed.

FOURTH, create units which can treat patients who have both HIV infection and drug addiction. The availability of drug treatment on request is essential for responding to the combined HIV and drug epidemic that imperils not only drug users but also their sexual partners and children.

Given the massive link between drug use and HIV infection, and the fact that there is an alarming increase in the number of new infections among intravenous drug users, the Commission wishes to go on record in expressing its surprise and disappointment that the White House National Drug Control Strategy mentions AIDS only four times in its ninety pages of text and not at all in its recommendations or discussions of how to allocate resources. The President's drug strategy simply must acknowledge and include HIV infection and AIDS.

FIFTH, provide comprehensive health care services under one roof. Fragmented services create additional barriers to needed health care. Often mothers will seek health care services needed for their babies but are not able to then gain access to care for themselves. Health care services for women and children need to be provided in one place. For the homeless, housing and health care need to go hand-in-hand. This is true not only for those who are homeless today but for those who will become homeless tomorrow because of the HIV epidemic.

WHAT WILL IT COST?

Estimates of the national costs of direct medical care for persons with AIDS in 1991 range from $2.5 to 15.1 billion (in 1988 dollars). These estimates represent a small fraction of the total health care costs for the nation - from less than one to slightly more than three percent. We simply must be prepared to make these expenditures.

WHO IS RESPONSIBLE FOR ACTION?

In carrying out its mandate, the National Commission on AIDS will attempt to delineate clearly the roles and responsibilities of various levels of government and the private sector in responding to and managing the HIV epidemic.

To date, there is no national policy or plan, and no national voice. Currently, as one witness testified, without the definition of roles each level of government points a finger at another and says it is their job. Clearly, managing the HIV epidemic is a responsibility which must be shared by all.

Without federal leadership the states have assumed various degrees of responsibility for planning, coordination and the provision of care. Likewise some local governments have played key roles in determining how patient services could be provided and in demonstrating important models for service delivery.

The role of the private sector voluntary and professional AIDS service organizations has been all important in managing the HIV epidemic to date. Foundations and corporations have also been important and their roles need better recognition and definition.

"We must," the Commission was told, "move swiftly to bring the missing players to the table...this includes a greater presence of our federal, state and local governments in terms of leadership, financing and service delivery. It includes the support and cooperation of the insurance industry, employers, physicians and other medical providers, and last but profit-wise not least, the pharmaceutical industry as well."

Responding to the challenge to bring the "missing players to the table," the National Commission on AIDS intends to do just that in hearings, working groups and other forums that can swiftly translate the facts into action and hold us all accountable for the national strategy that is long overdue. The time has come to define exactly what needs to be done, and measure how far we have come, and how much farther we still have to go.

On behalf of all of the members of the National Commission on AIDS, we look forward to being able to continue to bring important information to your attention.

Sincerely,

David E. Rogers, M.D.
Vice Chairman

June E. Osborn, M.D.
Chairman

cc: The Honorable Robert C. Byrd
President Pro Tempore of the Senate

The Honorable George J. Mitchell
Majority Leader of the Senate

The Honorable Bob Dole
Minority Leader of the Senate

The Honorable Thomas S. Foley
Speaker of the House of Representatives

The Honorable Richard A. Gephardt
Majority Leader of the House of Representatives

The Honorable Robert H. Michel
Minority Leader of the House of Representatives

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FOR IMMEDIATE RELEASE
March 6, 1990

Contact: Thomas Brandt
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CHAIRMAN

MEMBERS

EXECUTIVE DIRECTOR

STATEMENT ON THE "CARE" ACT OF 1990

The National Commission on AIDS endorses the principles and objectives of the Comprehensive AIDS Resources Emergency (CARE) Act of 1990. This legislation is responsive to many of the recommendations in the report issued by the National Commission on AIDS in December, 1989, as well as to recommendations of the Presidential Commission Report on the HIV Epidemic of June, 1988.

There must be frank recognition that a health care crisis exists in many of our cities that will require extraordinary measures to overcome. The HIV epidemic of the 1990's will be far worse than what we have seen thus far. Our Nation simply must be prepared to invest adequate resources now or pay dearly later.

The CARE Act of 1990 will provide emergency funds to those areas hardest hit by the epidemic. It will provide critical support for services in hospitals, clinics, other health facilities, and in the home. The CARE Act will prompt the development of more effective systems for the delivery of health and support services, including early intervention. It will develop and fund mechanisms to assure continuity of health insurance coverage for people with HIV disease and will also create community-based consortia capable of delivering a comprehensive continuum of care.

The Commission's recent hearings and site visits in the Los Angeles, New York City, and northern New Jersey areas impressed upon us the serious need for increased coordination between the various levels of government. Managing the HIV epidemic is a responsibility that must be shared by all. This legislation would stimulate further planning and coordination between all levels of government and the private sector.

The health care system in this country is not working well and nowhere is that more evident than for people with HIV infection and AIDS. While AIDS is not the cause of the health care system's disarray, it's epidemic nature has accelerated the urgent need for responsible national action to correct the system's serious shortfalls.

The Commission is extremely pleased that a strong bipartisan commitment has been made to enact this bill and looks forward to the passage and funding of comprehensive AIDS care legislation by the 101st Congress.

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Press Release
March 15, 1990

Contact: Thomas Brandt
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EXECUTIVE DIRECTOR
Maureen Byrnes

STATEMENT BY NATIONAL COMMISSION ON AIDS
THAT EPIDEMIC MAY HAVE PEAKED IN 1988

There is an ongoing debate among epidemiologists as to whether or when the HIV epidemic may "peak." We do not wish to enter that debate. What we wish to emphasize is the universal agreement on an absolutely key point: that the load of new cases of AIDS and the human suffering in the 1990s will far surpass the 1980s. It is estimated that there are roughly one million people in the United States who are infected with HIV. To date only a little more than 10 percent of them have developed full blown AIDS, but there is every indication that many more will do so. Indeed, in many parts of the country the AIDS epidemic is only getting started.

The National Commission on AIDS feels we simply must move much aggressively than we did in the 1980s to provide care and treatment for those who will inevitably become sick, to continue an intensive effort to find a cure, a vaccine, and to promote preventive education to stop the spread of infection to new individuals. Clearly we will continue to have morally and economically unacceptable numbers of people falling ill with AIDS during the decade to come.

# # #

TUESDAY, APRIL 3, 1990.

PHYSICIAN PAYMENT REVIEW COMMISSION

WITNESSES

KAREN DAVIS, PH.D., COMMISSIONER
PAUL GINSBURG, M.D., DIRECTOR

Mr. STOKES. The subcommittee will come to order. Our next commission is the Physician Payment Review Commission, and our witness is Dr. Karen Davis, Commissioner. Dr. Davis, it is a pleasure to have you before the subcommittee. You may feel free to introduce anyone who is with you, and then proceed to make your opening statement.

OPENING REMARKS

Dr. DAVIS. Thank you, Mr. Chairman. I'm pleased to be here. I'm pleased to be accompanied by Dr. Paul Ginsburg, Executive Director of the Physician Payment Review Commission.

We are pleased to have an opportunity to describe our work over the past year and our plans for the future. Our Commission began in 1986 when the Congress established it with a mandate to advise Congress on reforms in the methods used to pay physicians for services provided to Medicare beneficiaries. This charge was broadened in 1988 to develop policies to slow utilization and expenditure growth for these services as well.

We have been guided throughout our work by three principles, that payment reform should assure financial protection for beneficiaries, provide equitable payment to physicians, and deal with rising program costs while at the same time meeting Medicare's basic objective of assuring access to appropriate medical services for Medicare beneficiaries.

I am very pleased to report that the Commission had a very productive and successful year. Our 1989 report, as you recall, recommended that Congress reform the way which Medicare pays physicians. The main elements of that reform were a Medicare Fee Schedule based primarily on resource costs, limits on balanced billing, establishment of expenditure targets, and a program of effectiveness research and development of practice guidelines.

As you know, Congress adopted those recommendations in large part in the Omnibus Budget Reconciliation Act of 1989, reflecting the broad work of the Commission and many of the details of its recommendations.

The importance of our work was underscored by the role that the Commission will continue to have under this new legislation, where it will be involved in refining the Medicare Fee Schedule and updating annual Volume Performance Standards. In addition,

Congress chose to draw on the Commission's analytic resources for five studies that were specifically mandated in OBRA 1989.

I would like to turn to some of our plans for the coming year. We plan to focus specifically on issues with regard to limited licensed practitioners and non-physician practitioners. And we've also been asked by the Congress to examine physician payment under Medicaid.

We outlined in our 1990 report that was just submitted to the Congress last week some of our thinking on these issues and some of our plans for the upcoming year. I would like to turn more specifically to some of the work that we will be doing.

First of all, refining the Medicare fee schedule. As I mentioned, the Medicare fee schedule will be based upon resource costs for providing different services. The basic methodology for that was developed by Professor William Hsiao and his colleagues at Harvard University. But the PPRC will be reviewing certain changes that are being made in that method as a result of Commission recommendations.

We will also be looking at ways to improve the coding of physician visits and consultations, and also of global surgical services. Our report outlines some of our thinking and work in that area, and we will be continuing that in the upcoming year.

We will be doing a great deal of work on the practice expense and the professional liability or malpractice expense component of the Medicare fee schedule, refining the method for allocating practice expenses to individual services.

We will be looking at several options for paying physicians for their malpractice premium costs. The legislation has one particular method, but we have been asked to look at others, including looking at Medicare paying a share of physician malpractice premiums, even the option of the Government assuming the role of the insurer for care of Medicare beneficiaries.

We will look at other approaches of building malpractice premium costs into the fees, such as looking at physician risk class or the type of service as well.

Another issue we will be looking at is geographic variations in the fee schedule and whether it assures equitable payment across geographic areas. That includes looking at refining the Geographic Practice Cost Index, and at the way geographic payment areas are delineated by the Medicare program.

I mentioned that the Commission will have a formal role in setting the Volume Performance Standards and in updating fees. The Commission is asked to comment, by May 15 of every year, to Congress, with a recommendation on Volume Performance Standards for the upcoming year, as well as for updating fee levels.

We will be doing a great deal of work to monitor the effects of the new payment system on access and quality of care for Medicare beneficiaries, using a variety of data bases including, what will hopefully become an ongoing longitudinal data base, the Current Beneficiary Survey.

The Congress left open a number of decisions with regard to setting Volume Performance Standards. This is now at the national level. We were asked to look at issues of whether there should be

state-level performance standards, or other subnational performance standards, such as by specialty groups.

We will also be looking at any proposals coming from the Secretary of Health and Human Services to establish separate performance standards and updates for voluntarily-formed groups of physicians. However, we note in our 1990 report concerns we have with the carve-out of physicians to have their own Volume Performance Standard on an ad hoc basis. We indicate our support for the alternative of strengthening the Medicare risk contracting program currently under Health Maintenance Organizations, rather than simply having any collection of physicians be assigned their own Volume Performance Standard.

So, that's the broad outline of the types of activities we will be exploring and conducting over the coming year.

The Commission is requesting a $3,871,000 budget for fiscal year 1991. This level would maintain a staff of 26 and provide the resources to support the work of the Commission; cover expenses at meetings; permit funding of analyses and data development by outside experts to supplement the work of the staff.

That request represents a $65,000 increase over the fiscal year 1990 appropriation level. In part, that increase reflects an expansion of the Commission's analytic work that requires extensive computer and programming work that is enabled through expansion of the data bases, but also the analytic capacity to analyze various issues.

The Commission's role in refining the Medicare Fee Schedule and in updating the Volume Performance Standards will require additional funds for computer services, and that's a priority in the Commission's budget.

The work before us in the next several years will be equally demanding to that which led to passage of Medicare physician payment reform last November. The Commission has developed the expertise required to perform the necessary analytic work, maintain productive working relationships with physician and beneficiary groups and develop timely recommendations for Congress.

We will be pleased to respond to any questions you have regarding the Commission's work for its fiscal year 1991 budget request. Thank you.

[The prepared statement follows:]

Mr. Chairman, I am pleased to come before this Committee again to review the progress of the Physician Payment Review Commission in the past year and to describe our plans for the future. In 1986, the Commission began work on its mandate to advise Congress on reforms in the methods used to pay physicians for services provided to Medicare beneficiaries. Its charge was broadened in 1988 to develop policies to slow utilization and expenditure growth for these services as well. Throughout the past three years, the Commission's 13 members have worked closely together and with the Commission staff to develop recommendations for reform. Throughout its work, the Commission has been guided by the principles that payment reform should assure financial protection for beneficiaries, provide equitable payment to physicians, and control rising program costs while assuring access to appropriate medical services.

This past year was very productive and successful for the Commission. In its 1989 annual report, the Commission met its goal of providing the Congress with a comprehensive set of proposals for Medicare physician payment reform. The main elements of its plan were a Medicare fee schedule based primarily on resource costs, limits on balance billing, expenditure targets, and a program of effectiveness research and development of practice guidelines.

Congress included in the Omnibus Budget Reconciliation Act of 1989 (OBRA89) a payment reform package that closely reflected the

Commission's work in both its broad approach and many of its details. The importance of the Commission's analytical work and policy advice in the development and implementation of the new payment system was underscored when Congress mandated a formal role for the Commission in refining the Medicare Fee Schedule and updating Volume Performance Standards. In addition, Congress chose to draw on the Commission's analytic resources for five studies mandated in OBRA89.

COMMISSION WORK PLAN

With the passage of Medicare physician payment reform behind us, the Commission must now focus on the development and refinement of key aspects of the policy that are required for its implementation. At the same time, the Commission has broadened the scope of its work to include study of the implications of the Medicare Fee Schedule and Volume Performance Standards for payment to limited license practitioners and to nonphysician practitioners and examination of issues related to physician payment under Medicaid.

It is not possible to review all the Commission's plans in this brief statement. They are described in detail in the Commission's appropriation request submitted to this Committee last January. In addition, the Commission's progress in the past year and plans for the future are more fully described in its 1990 report

submitted to Congress just last week. The report is devoted to policy issues related to the new legislation on which the Commission has been requested to advise Congress. The Commission's work on these issues is at different stages. In some cases, the report contains recommendations for action this year. In others, the Commission reports its progress on work not yet completed. And for still others, the report introduces an issue and describes the Commission's work plan.

I would like to take a few minutes to highlight some of the major areas of work the Commission will undertake in the next fiscal year.

Refining the Medicare Fee Schedule

The relative value scale underlying the Medicare Fee Schedule has three cost components: a "physician work" component that reflects the time and intensity of the physician's effort in providing a service; a "practice expense" component that includes costs such as office rent, salaries, equipment and supplies; and a separate "malpractice" component that reflects professional liability premium expenses. Additional work is required on each of these components before implementation of the fee schedule begins in 1992.

The Commission is currently developing a scale of relative work for the Medicare Fee Schedule that will be based on estimates of physician work from the study by William Hsiao and his colleagues at Harvard University. The Hsiao team is correcting certain methodologic problems identified in the Commission's evaluation of the study. The Commission will review these changes as part of its evaluation of the data and results from the second phase of the study to be completed in Fall 1990. Problems related to standardizing coding policies for surgical procedures and clarifying the definitions of codes for physician visits and consultations are being addressed directly by the Commission. When the work of Hsiao and the Commission is completed, the Commission will begin a process involving specialty societies, panels of physicians, the Hsiao team, the American Medical Association and the Health Care Financing Administration to refine the scale of relative work.

The Commission will also continue its work on incorporating the practice expense and malpractice components into the fee schedule. This work includes refining the method for allocating practice expense to individual services and developing data on practice expense that are specific to services or categories of related services.

OBRA89 calls upon the Commission to examine options for paying physicians the Medicare share of their malpractice premiums. In

its 1990 report to Congress, the Commission reviewed the options that it will examine in the coming year, including assigning malpractice expense according to a physician's risk class or by type of service and direct reimbursement of a portion of a physician's premium.

The Commission will conduct further work to assure equitable payment among geographic areas under the Medicare Fee Schedule. It will assess how accurately the existing geographic practice cost indexes (GPCIs) capture the costs of practice for physicians in rural areas, an issue of great concern to many in Congress. It will also complete its analysis of the implications of alternative policies for defining payment areas under the Medicare Fee Schedule and make recommendations to Congress on both these issues next year.

Implementation of Volume Performance Standards

OBRA89 gives the Commission a formal role in setting the Volume Performance Standard and updating fees. Each year, the Commission will comment on recommendations by the Secretary of Health and Human Services and make its own recommendations to Congress. To do so, the Commission will consider a number of factors specified in the legislation including inflation, changes in the number and age composition of Medicare beneficiaries, changes in technology, evidence of unnecessary or inappropriate use of services and

evidence of lack of access to care. The Commission has assessed the availability of data to monitor each factor and has developed approaches to reaching decisions in areas where data are limited. As part of that effort, the Commission will convene a panel of experts to assist it in monitoring the effects of the new payment system on access and quality of care for Medicare beneficiaries.

OBRA89 left open for the future a number of decisions on refining the Volume Performance Standard policy. One concerns whether there should be subnational performance standards and updates, such as specialty group or state-level standards. In its 1990 report to Congress, the Commission identified the issues that must be addressed in evaluating subnational options. In the coming year, it will continue to assess the feasibility of subnational standards, taking into account recent steps to strengthen Medicare data systems, experience with the national performance standard, actions of specialty societies and other physician organizations to respond to the Volume Performance Standard policy, and initiatives taken in both the public and private sectors to promote effectiveness research and development of practice guidelines.

The payment reform legislation calls for the Secretary of HHS to develop a proposal for separate performance standards and updates for voluntarily-formed groups of physicians. The Commission is skeptical about the feasibility of this approach but remains interested in strengthening the Medicare risk contracting program

with health maintenance organizations (HMOs) as a physician alternative to volume performance standards. To that end, it will give further attention to refining the adjusted average per capita cost (AAPCC) used to calculate HMO payment rates, increasing financial incentives to beneficiaries to enroll, and modifying requirements that health plans must meet in order to qualify.

ESTIMATE FOR FISCAL YEAR 1991

The Commission requests $3.871 million for Fiscal Year 1991. This level would maintain a staff of 26 and provide the resources to support their work, cover the expenses of Commission meetings, and permit funding of analyses and data development by outside experts to supplement the work of the staff. This request represents an increase of $65,000 over the Fiscal Year 1990 appropriation level. Additional funds to cover the annual costs of fully staffing the Commission and increased demand for computer services together account for a major portion of the increase.

The Commission has recruited a highly trained staff that has become expert in the methods required to develop sound policy recommendations for Congress on Medicare physician payment. The Commission's ability to maintain its effectiveness in responding to Congressional mandates requires continuation of the staffing plan developed over the past few years.

The scope of the Commission's analytic work requiring computer and programming services has increased each year primarily for two reasons. First, there has been a growing need for data analysis. The Commission uses both large Medicare claims files to simulate the effects of policy options and smaller data sets, often compiled from Commission surveys, to develop those options. Also, the Commission has recruited additional staff with expertise in data analysis to strengthen its capacity to carry out its work plan. Given the analytic requirements of the Commission's role in refining the Medicare Fee Schedule and updating Volume Performance Standards, adequate funds for computer services will continue to be a priority in the Commission's budget.

The work before us in the next several years will be equally demanding to that which led to passage of Medicare physician payment reform last November. The Commission has developed the expertise required to perform the necessary analytic work, maintain productive working relationships with interest groups and develop timely recommendations for Congress. We look forward to the challenge before us. I will be glad to respond to any questions you have regarding the Commission's work or its Fiscal Year 1991 budget request.

Physician Payment
Review Commission

COMPARISON OF FISCAL YEAR 1990 TO 1991 BUDGET
AUTHORITY, OUTLAYS, AND FULLTIME EQUIVALENT POSITIONS

Agency		1990 Actual	1991 Request	1991 Compared to 1990 Actual
($000)	BA	$3,806,000	$3,871,000	$ 65,000
	O	n/a	n/a	n/a
	FTEs	25	26	1
		2[1]	2	0

[1] Equivalent of 13 Commission Members' meeting time for a one-year period (2.0 FTEs).

Hearing on Physician Payment Review Commission
Fiscal Year 1991 Budget Request

Witness List

Karen Davis, Ph.D., Commissioner

Paul B. Ginsburg, Ph.D., Executive Director

KAREN DAVIS

Biographical Sketch

Karen Davis, Ph.D. is Chairman of the Department of Health Policy and Management in the School of Hygiene and Public Health and has a Joint Appointment as Professor of Economics, The Johns Hopkins University.

Positions previously held by Dr. Davis include Deputy Assistant Secretary for Planning and Evaluation/Health at the U.S. Department of Health and Human Services; Administrator of the Public Health Service, Health Resources Administration; Senior Fellow at the Brookings Institution; Visiting Lecturer at Harvard University; and Assistant Professor, Rice University.

Dr. Davis is Director of The Commonwealth Fund Commission on Elderly People Living Alone. She is a member of the Physician Payment Review Commission, the Institute of Medicine, National Academy of Sciences, and the Maryland Governor's Commission of Health Care Policy and Financing. She also sits on several boards and committees concerned with health policy issues.

Dr. Davis is the author of numerous books and articles on health economics and policy analysis including Health Care Cost Containment; Medicare Policy: New Directions for Health and Long-Term Care; Health and the War on Poverty: A Ten Year Appraisal; National Health Insurance: Benefits, Costs and Consequences.

Dr. Davis holds her Ph.D. from Rice University in economics.

3/90

PAUL B. GINSBURG, Ph.D.

Paul Ginsburg is Executive Director of the Physician Payment Review Commission. The Commission is a permanent entity of Congress, charged with advising on physician payment in the Medicare program. It has 13 members and a staff of 20. The Commission is widely regarded as having been highly influential in the reform of policy in this area.

Prior to his employment by the Commission at its inception in 1986, Dr. Ginsburg was a Senior Economist at the RAND Corporation, where he directed projects on hospital payment, physician payment, employee health benefit plans, and preferred provider organizations.

From 1978 to 1984 he was Deputy Assistant Director of the Congressional Budget Office, with responsibilities for health and income security policy. He has been an associate professor at Duke University and an assistant professor at Michigan State University. His doctorate in economics is from Harvard University.

Mr. STOKES. Thank you, Dr. Davis.

Dr. Davis, given the enactment of physician payment reform legislation last fall, what do you see as the long-term role of the Commission?

Dr. DAVIS. For the next few years, there is going to be continued work for the Commission in simply refining this new system, developing a better method—particularly, for example, of setting practice expenses and how that would go into the relative value schedule; looking at the Volume Performance Standards, and how those can be implemented well. So, I don't think we're there yet, even though we've enacted the legislation.

But on the long-term basis, I think there's a need for the Commission to be involved in this process of annually setting volume performance targets, and also the update; and in monitoring the impact of this system on beneficiaries. And I think the key to how this will work over time is whether we're able to balance the need to protect beneficiaries and guarantee access to care while at the same time getting some restraint in the growth of expenditures that have been so rapid in the last decade under Medicare.

PHYSICIAN PAYMENT REDUCTIONS

Mr. STOKES. Doctor, the Adminstration has stated that its proposed 1991 physician payment reductions are consistent with the reforms enacted last fall. Do you agree?

Dr. DAVIS. In terms of the general direction, I think there's certainly—looking at overvalued procedures, those kinds of services that would be higher than what would ultimately go into effect under a fee schedule based upon relative resource costs—I think we're concerned about the magnitude of some of the changes that were involved there.

I would invite Dr. Ginsburg to make some additional comments on that.

Dr. GINSBURG. Yes. We're concerned that some of the changes would speed up the change in payments under the fee schedule to a rate far more rapid than the Congress had worked out last year in developing a transition for the payment reform.

In addition, some of the specific proposals, such as the one on payment for assistants at surgery and global surgical fees, do not seem to be consistent with the payment reform. In those areas, the Commission's recent testimony before the Senate Finance Committee suggested alternative ways to reduce spending in those areas. The Commission will be presenting a full report to Congress in the next month or two on suggested budget reductions.

PHYSICIAN FEE SCHEDULE

Mr. STOKES. Doctor, when does the reconciliation bill require the physician fee schedule be implemented?

Dr. DAVIS. The first phase is to be implemented in January 1992.

Mr. STOKES. You're required to report to Congress by July, 1991, on physician fees under the Medicaid program. What share of your activities will be devoted to Medicaid issues in 1991 and later years?

Dr. DAVIS. We have been asked to do a study of physician payment under the Medicaid program. We view this as one of the many activities that the Commission needs to undertake in the upcoming years. As I mentioned, we have a number of studies that relate to getting the Medicare system in place. We estimate that less than 10 percent of our resources would be going specifically into the Medicaid study.

What we will do over the longer term will depend on Congress' interest and expression of any desire for additional work.

MANDATED STUDIES

Mr. STOKES. Doctor, why does your 1991 request for policy analysis and data development decrease when you have many new mandated studies?

Dr. DAVIS. I think in large part we have anticipated the mandated studies that were in OBRA of 1989. They certainly are areas we recognize would need further analysis and refinement, even after the basic legislation was in effect.

So, I think we have built in what we consider to be sufficient resources to be able to carry out those studies, and to meet the deadlines that Congress has set for us.

Mr. STOKES. Dr. Ginsburg?

Dr. GINSBURG. Yes. Another point I would like to make is that the Commission is always adjusting at the margin the resources it puts into policy analysis and data development which is through contracts, and what it does in-house with its staff.

The most recent adjustment has been to increase slightly the emphasis on in-house work through the full-time staff, and a slight reduction of outside contracts.

Mr. STOKES. Are you at all concerned that your increasingly broad research mandate will exceed the capacity of your staff, which is capped at 26 by statute?

Dr. GINSBURG. I can answer that. I don't anticipate a problem at this time. Our staff, at the moment, is 24 full-time professionals and support persons. I think that will be quite adequate over the foreseeable future to handle the work that the Congress has asked us to do.

Mr. STOKES. How many reports are you mandated to produce annually?

Dr. DAVIS. We produce a basic report to the Congress that we submit by the end of March of each year. In addition, under the legislation, we will be making a recommendation to the Congress by May 15, specifically on the Volume Performance Standard target, and on recommended updates in the overall fees.

Within our basic report, we address many of the issues that Congress has flagged, and there may need to be some separate analyses put forward on specific studies. But typically what we do is have one major report by the end of March, and then this new mandate to make recommendations to the Congress by mid-May.

I will ask Dr. Ginsburg to elaborate on that.

Dr. GINSBURG. As you mentioned in the statement, OBRA 1989 specified five additional studies. In the past, when it's been feasible, the Commission has sought to incorporate the results of any

specific studies into its annual report in order to get maximum dissemination and economy in disseminating the results of those studies.

IN-HOUSE ANALYSIS AND RESEARCH

Mr. STOKES. Last year, before its repeal, the Prescription Drug Payment Review Commission had organized itself differently from your Commission. They planned to do most of their analysis and research in-house rather than through contracts.

Would this approach be workable for your Commission?

Dr. GINSBURG. If you were to describe our Commission relative to other parts of the Federal Government, we do have an orientation towards doing most of our work in-house.

What we have done externally is first, whenever a large survey has been required, we go to organizations with the expertise to conduct surveys. Second, we've used much smaller contracts for limited jobs requiring specialized expertise.

The one area where we did differ with the Prescription Drug Payment Review Commission was in programming resources. We have always contracted with a programming firm for the very substantial programming needs that we have, whereas the Drug Commission had hired on programmers to its staff.

USE OF 1990 FUNDING INCREASE

Mr. STOKES. Your 1990 appropriation was increased above your original request to reimburse the Commission for research funds transferred to the Prescription Drug Commission. Most of this funding appears to have been used for salaries rather than research in 1990.

Why did you reallocate funds in this way?

Dr. GINSBURG. Well, there are two reasons, Mr. Chairman. One of the reasons was, when we had to reduce our budget to provide funds for the Prescription Drug Commission, it was relatively late in the fiscal year, and the easiest way to do that is to defer funding of an outside contract, which we did.

Nevertheless, as far as the broader picture over the year, we wound up, as I mentioned before, shifting some emphasis towards the in-house work with the salaries, and that's why the numbers appear that way to you.

COMPUTER SYSTEMS

Mr. STOKES. You use a different computer mainframe than the Prospective Payment Assessment Commission. What alternative computer systems have you considered, and how frequently do you reevaluate your automation needs?

Dr. GINSBURG. We considered both the mainframe we currently use, the National Institutes of Health computer, and the one used by the Prospective Payment Assessment Commission and some commercial sources. And we found that the first two were much lower cost than the commercial sources.

We chose the NIH computer mostly because it was able to provide better accounting for us, and enabled us to control our ex-

penses better. But it was very close. We could have gone the way that ProPAC has, as well.

COST-SHARING

Mr. STOKES. Have you investigated the possibility of a cost-sharing arrangement with the Prospective Payment Assessment Commission for conference room space, transcript services and other activities?

Dr. GINSBURG. Well, we do talk continually with them on administrative matters. In fact, we provided a joint report to this Committee a few months ago on that.

I have not been aware of opportunities for conference facilities which, because our schedules are so different, to realize any economies by joint purchasing, but we're always open to ideas.

The administrative structures permit pursuing activities on a joint basis very easily.

Mr. STOKES. Dr. Davis, I will have a number of additional questions to submit to you on behalf of the chairman of the committee, and I am sure other members of the committee will have additional questions to submit to you for the record. If you'll answer those for us, we would appreciate it.

Dr. DAVIS. We would be pleased to do so.

Mr. STOKES. We thank you so much for your appearance here this afternoon.

Dr. DAVIS. Thank you.

Dr. GINSBURG. Thank you.

[The following questions were submitted to be answered for the record and justifications follow:]

Mr. Natcher. What are the major recommendations and work plans of the report you released last week on physician payment?

Dr. Davis. The Commission's 1990 Report focuses on implementation of the payment reform legislation that was enacted last year. The report devotes several chapters to the Commission's work on developing the relative value scale (RVS) or the Medicare Fee Schedule. The physician work component of the RVS will be based largely on the resource-based relative work scale being developed by Professor William Hsiao and his colleagues. The report describes a process to be conducted by the Commission to refine Dr. Hsiao's relative work scale. The process will convene panels of physicians to identify any errors in the estimates of physician work, but has been structured to protect the integrity of Dr. Hsiao's results.

The report describes the progress in data collection and validation to establish the relative values for global surgical services under the fee schedule. The Commission, with the assistance of a panel of surgeons and carriers, has developed a standard definition of a global surgical service for use in the fee schedule. The Commission is similarly developing improved definitions for evaluation and management (EM) services (physician visits and consultations) in a collaborative project involving the American Medical Association.

OBRA89 also specifies the other two components of the fee schedule, the practice expense component and the professional liability insurance (PLI) component. Congress directed the Commission to refine the method for allocating practice costs and called for analysis of several different alternatives for the PLI component.

To develop a practice expense component, the Commission is collecting data on expenses specific to a service from multispecialty group practices with sophisticated accounting systems. These data will be used to supplement data from broader surveys of physician practices on components of practice expense.

For the PLI component, the Commission is examining payment according to physician risk class or service risk and is also considering paying PLI expenses separately from the fee schedule.

As directed by the Congress, the Commission is studying alternative ways to draw the boundaries for payment areas under the fee schedule. The 1990 report examined two alternatives to the current charge locality boundaries--those used in the Prospective Payment System and statewide boundaries. It also plans to examine policy options that combine elements of two or three of these alternatives, so that many statewide payment areas could be retained while other states have multiple payment areas.

The report describes the Commission's plans to analyze whether the current implementation of the geographic adjuster fully accounts for practice costs in rural areas. We will assess alternative proxy measures for various cost elements in the adjuster and alternative costs weights. We will also determine whether rural practices have unavoidably higher costs than predicted by the geographic adjuster due to their small scale.

While most values in the fee schedule will be based on the work of Professor Hsiao and the Commission, Congress provided for alternative sources of relative values for anesthesiology, radiology, and pathology. The Commission recommends that the relative values in the Uniform Relative Value Guide for anesthesia services be incorporated into the fee schedule, and is developing methods for making these relative values consistent with those for other services. The Radiology Fee Schedule requires revision, however, both in its physician work components and in the practice expense component. The Commission will develop proposed revisions using a structured panel of physicians and data from its practice expense studies.

For pathology, the Congress directed the Secretary in OBRA89 to develop a separate fee schedule for implementation January 1,1991. The Commission recommends that this requirement be reconsidered, and that the relative values for pathology now being developed by Professor Hsiao be used beginning January 1992.

The Commission considered how limited license practitioners should be paid under the fee schedule. It approached this question guided by the principle that when the service is the same, the payment should be the same. It concluded that the issues for each category of limited license practitioner differ and therefore require separate recommendations. Oral and maxillofacial surgeons should be paid using the same relative values and conversion factors as MDs and DOs. Prior to making a recommendation for optometrists and podiatrists, the Commission plans to convene focus groups to assess whether services billed under the same CPT code are in fact the same. Because of difficulties in linking chiropractic services into the Medicare Fee Schedule, a separate budget-neutral fee schedule that incorporates a geographic adjuster should be

constructed for the single service (spinal manipulation) that is covered by Medicare.

The Commission noted in its report that OBRA89 will provide substantial financial protection to most Medicare beneficiaries, but the Commission remains concerned about potential adverse effects of balance billing, especially in situations where the beneficiary has no meaningful choice of physician. It plans to monitor closely assignment and participation rates in the Medicare program. It will also continue to analyze the burden of balance billing on beneficiary populations and will recommend further policy changes if appropriate.

The report describes the factors to be considered and the type of analytic work the Commission will conduct in developing its recommendations on setting the Volume Performance Standard. It also discusses several possible ways to establish subnational performance standards, defined either geographically (for example, by state) or by category of service (for example, surgery) noting that there are difficulties with either type of subnational standard.

Setting a separate performance standard for surgery requires an informed judgment about differences in the appropriate growth rate of spending for this versus other medical services, a decision beyond current capabilities. Also, differential fee updates may drive relative values for procedures away from a resource basis, potentially sacrificing a key goal of the payment reform. Given these difficulties, evidence that surgeons' organizations have taken substantial steps to improve and expand educational and peer review efforts should be a prerequisite for continuing a separate performance standard for surgery.

State-level standards confront a different set of problems. At present, state-level expenditure data for Part B are neither accurate nor timely enough to use in calculating payment updates. Setting objective differential standards by state is more feasible than by specialty and could be used to reduce the magnitude of variation in per-enrollee expenditures across regions of the country. While these issues deserve further study, however, state-level performance standards could be implemented on a waiver basis in response to requests from states experimenting with broad policies to contain costs, such as all-payer systems of physician payment.

OBRA89 directs HHS to develop a plan for separate performance standards for voluntarily-formed groups of physicians. The Commission considered a number of ways in which such a carve-out system could be designed, but none appears workable. The Commission will evaluate any system proposed by the Administration, but believes that energy would be better spent on improving existing risk contracting arrangements with HMOs.

The Commission expressed its concern that carrier budgets for medical review activities have been unstable and increasingly inadequate. This will make it difficult for carriers to carry out the tasks necessary to implement the new payment system. Solving this problem will likely require changes in the method by which carrier funding is treated in the Congressional budget process.

Finally, the Commission investigated questions about whether physician organizations that develop practice guidelines will be the target of antitrust suit or whether physicians who practice according to the guidelines will be subject to greater risks of malpractice suit. It concluded that a medical professional society is at little or no risk of antitrust suit if it follows sensible and straightforward procedures in developing guidelines. It also concluded that guidelines are not likely to expose practicing physicians to new malpractice risks and may reduce existing risks by making courts' judgments of negligence more accurate.

Mr. Natcher. How often does the joint committee with representatives of your Commission and the Prospective Payment Assessment Commission meet?

Dr. Davis. The ProPAC/PPRC Liaison Subcommittee meets two to three times a year. The meetings are scheduled to coincide with regular meetings of either of the commissions and to be coordinated with the planning and report preparation cycles of each commission.

Mr. Natcher. Are administrative, as well as policy, issues discussed?

Dr. Davis. Administrative issues are generally addressed by the executive staffs of the two commissions who meet on a more regular basis than the Liaison Subcommittee. Major administrative questions, such as potential opportunities to share administrative resources, are taken up by the chairmen of the two commissions.

Mr. Natcher. How much have you budgeted in 1990 and 1991 for the five studies mandated in last fall's Reconciliation bill?

Dr. Davis. The Commission has not budgeted separately for the five mandated studies in OBRA89. With the exception of the Medicaid study, these studies are part of the core of the Commission's work to develop and refine the payment reform policies enacted in OBRA89. The studies were already incorporated in the Commission's plans before Congress specified them in the legislation. We consider the legislation as ratifying the Commission's work on these issues. The bulk of the work on these studies is being conducted by Commission staff. Eight staff members are devoting a portion of their time to these studies. We expect to augment the staff work with work under outside contracts, particularly to

develop methods and gather detailed practice expense data and to conduct case studies related to Medicaid physician payment. Funding for those contracts is expected to range between $200,000 and $300,000.

Mr. Natcher. How much funding is included in your 1991 request for advisory panels, consensus panels, and focus groups?

Dr. Davis. The Commission will make extensive use of consensus panels in FY1991 in its process to refine physician work values in the Medicare Fee Schedule. The process will involve panels of physicians in each specialty as well as an interspecialty panel that also includes representatives of Medicare carriers, consumers, and other health professionals. The Commission has used consensus panels in its work on reforming the coding of surgical global services and coding of physician visits and consultations. Based on that experience, it estimates that the costs to the Commission of conducting the process are likely to be about $150,000 to $200,000 in addition to 2 1/2 staff FTEs. The Commission estimate is based on the assumption that the specialty societies who nominate members of the consensus panels will share in the full costs by reimbursing panelists for their travel expenses to attend any panel meetings. Panel members are not compensated for their participation in the process. An additional project to convene focus groups to assist the Commission in determining whether podiatrists and physicians provide the same service when they bill under the same procedure code will require $25,000 to $50,000.

Mr. Natcher. Do the increased pay levels in last fall's ethics bill have any direct or indirect effect on your salary expenses?

Dr. Davis. The increased pay ceiling permitted the Commission to increase the salary of the executive director.

Mr. Natcher. How does your square foot of office space per employee usage compare to the 135 square foot standard government-wide?

Dr. Davis. The average amount of office space allocated by the Commission per employee is 135 square feet. The Commission leases space from the General Services Administration and must meet government-wide standards before such space is allocated.

Mr. Natcher. Are you working with the Medicare contractors to help them modify their computer systems for processing Part B claims under the new physician payment system?

Dr. Davis. The Commission is not working directly with Medicare contractors to modify their computer systems. The Commission is an

advisory body to Congress and does not have a mandate to perform this operational role that is traditionally under the purview of HCFA. The Commission is concerned with such issues as uniformity in carrier interpretation of the payment reform policies in their claims processing, strengthening utilization and quality review activities, electronic claims submission, and the timely collection and reporting of claims data for monitoring the effects of the new legislation, setting Volume Performance Standards, and updating fees. It has presented analyses on these issues and made recommendations to both the Congress and the Health Care Financing Administration each year in its annual reports.

Mr. Natcher. How heavily does your analytic work rely on databases maintained by the Health Care Financing Administration?

Dr. Davis. Our work depends very heavily on HCFA databases. We constantly make use of the various BMAD files and look forward to using the Common Working File and the Current Beneficiary Survey. We are pleased with the cooperation of HCFA in providing access to these files.

Mr. Natcher. How many practicing physicians serve on your Commission? How are potential conflict of interest issues dealt with?

Dr. Davis. Six of the Commission's 13 members are physicians. Three of them maintain active practices, two recently retired from active practice to pursue other professional activities, and one discontinued practice many years ago. The Commission has never perceived a problem with conflict of interest among its physician members that practice. These practitioners were appointed because they are leaders in physician organizations and have widespread respect among physicians. They have undergone careful scrutiny by the Office of Technology Assessment, which makes the appointment decisions. The Chairman has fostered an ethic among Commission members that they serve as representatives of the general public, not of the organizations that may have nominated them or of narrower interests. I know of no occasion in which a Commission member has appeared to be representing a personal interest.

Mr. Natcher. Identify all contracts for studies conducted in 1989, with their respective costs, including outyear costs, if anticipated.

Dr. Davis. In answer to that question, the Commission provides the following chart.

Contractor	Expense FY 1989	Obligation FY 1990	Obligation FY 1991
Abt Associates	$ 100,000	$ 96,338	n/a
Birch & Davis Inc.	72,262	14,994	n/a
Mathematica Inc.	52,307	n/a	n/a
Westat Inc.	204,823	n/a	n/a
Rand Corporation	8,349	55,142	n/a
University of Pennsylvania	18,000	52,006	n/a
Urban Institute	11,236	12,468	n/a

We would like to note that the costs of the PPRC Consensus Panel Study are also included in the "contracts" category. In Fiscal Year 1989, the Commission expended approximately $90,000 on this effort. Estimates for Fiscal Year 1990 are $250,000.

Mr. Natcher. Identify commission expenditures for computer services for 1987-1991.

Dr. Davis. In 1987, the Commission's expenditures for computer services totalled $64,228; in 1988, $383,297; in 1989, $553,525; thus far for 1990, $300,403 (ytd expenses from 10/1/89 to 3/31/90), and we estimate $545,000 for 1991.

The Commission's expenses in "data processing/mainframe usage" include a primary contract with Social & Scientific Systems Inc. which supports data gathering and analysis efforts relative to HCFA's BMAD tape files; the use of the National Institutes of Health, Division of Computer Research and Technology's Computer Center; and various other minor data purchases and services.

Mr. Natcher. List the members of the commission, their salaries, and professional affiliations.

Dr. Davis. Please refer to Attachment A. All members of the Commission are paid, as mandated by our authorizing legislation, at a rate equivalent to level IV of the Executive Schedule, currently $321.57 per day.

Mr. Natcher. Provide a spending plan for your 1991 policy analysis and data development request.

Dr. Davis. The Commission is requesting $1,061 million for policy analysis and data development for FY1991. It plans to use funds for outside contracts for the following projects:

- Evaluation of the second phase of the Resource-based Relative Value Study by William Hsiao -- $40,000

- Contracts with large group practices with sophisticated accounting systems to refine methods and gather data to develop the practice expense component of the relative value scale in the Medicare Fee Schedule -- $200,000

- Survey of physicians, as a follow-up to the consensus process of coding of evaluation and management (EM) services, to determine the specific times to be incorporated into levels of services for the new EM coding system -- $150,000

- Survey of physicians to provide data to be used in refining the relative work values used in the Medicare Fee Schedule -- $150,000 - $200,000

- Consensus process to refine physician work values for services surveyed by Hsiao and estimated through extrapolation from Medicare charge data -- $150,000 - $200,000

- Analysis of Medicare Part B (BMAD) data to determine the effects of reductions in charges for overvalued procedures on physician practice behavior -- $125,000

- Survey of rural physicians to gather data to determine the accuracy of available geographic practice cost indexes (GPCI) in reflecting practice costs in rural areas -- $150,000 - $200,000

- Convening focus groups to determine if the services provided and billed under a certain procedure code by podiatrists are the same as services provided and billed under the same code by physicians -- $25,000 - $50,000

- Case studies to gather information on the impact of changes in state Medicaid policy for paying physicians on physician participation, beneficiary utilization of and access to services, and program expenditures -- $75,000 - $100,000

- Contract with outside experts to gather information and develop estimates of the impact of technological change on Medicare physician expenditures to be used in developing the Commission's recommendations for setting

Volume Performance Standards -- $50,000 - $100,000

The Commission's estimates of the cost of each project are based on prior experience with similar types of contracted work. The total amount for all projects listed above exceeds the amount requested for policy analysis and data development by the Commission for FY1991. We use this approach in our planning because our experience suggests that budgets negotiated for some projects come in under Commission planning estimates, the timing of some projects allows for funding to be divided among Commission budgets for two fiscal years, and the preliminary workplan for some projects that is contemplated when the Commission's budget request is submitted may be modified as the Commission's own work proceeds.

Mr. Natcher. How many staff were on-board at the end of fiscal year 1989, and what is your estimate for end-of-year 1990?

Dr. Davis. At the end of FY1989, the Commission employed a total of 22 employees, excluding members. The end-of-year estimate for FY1990 is 25-26 employees.

Mr. Natcher. What percent of commissioners have been present at each of your commission meetings during the last three years?

Dr. Davis. Please see Attachment B which provides a listing of this information for each meeting held by the Commission to date.

Mr. Natcher. Clarify for the record the correct object classification distribution for 1990 funds.

Dr. Davis. Please refer to Attachment C. The Commission's current Object Class distribution is correct as reported in its "Fiscal Year 1991 Justification of Appropriation, Estimates for Committee on Appropriations." There was an error reflected in the object class distribution reported in the OMB mid-session budget review, which has since been corrected.

Overall Activities

Mr. Conte. Last year, Congress enacted the relative value scale, volume performance standards, and increased funding of effectiveness research. Many elements of these plans were based on recommendations coming from your Commission. What activities will the Commission undertake during the coming year to assist in the implementation of the new requirements?

Dr. Davis. The Commission will complete much of its work on refining the Medicare Fee Schedule which is to be implemented on January 1, 1992. This will entail reforming the coding system for surgical global services and for visits and consultations,

assigning relative physician work values to these services, and conducting a process to refine the relative values that will involve panels of physicians from each specialty providing services under the Medicare Fee Schedule.

The Commission also will develop more accurate estimates of practice costs to be incorporated into the fee schedule and determine how malpractice premium costs should be paid under the Medicare Fee Schedule. It will conduct analyses to determine if the existing geographic practice cost indexes fully capture the costs of practice for physicians in rural areas. It will also assess alternative definitions for payment areas to which cost of practice adjustments would apply under the fee schedule. It will provide advice to Congress on these issues in its next annual report.

In addition to determining the payment for physicians under the fee schedule, the Commission will be able to develop recommendations for Congress on how the fee schedule should apply to payment for limited license practitioners and nonphysicians.

Beyond work on the Medicare Fee Schedule, OBRA89 gave the Commission ongoing responsibility in the implementation of Medicare Volume Performance Standards to comment on the recommendations of the Secretary of Health and Human Services and develop its own recommendations for setting the performance standard and updating fees. The Commission is preparing analyses that will enable it to review the Secretary's recommendations on May 15 for the first time. During the coming year, it will also develop a process that incorporates review of data, ongoing analysis, and gathering information from experts and interest groups that it will follow in developing future recommendations. Finally, it will continue to assess the feasibility of moving to a system of subnational performance standards.

The Commission expressed its continuing concern about assuring the financial protection of beneficiaries in its recent report to Congress. Using analyses based on its Beneficiary Survey and other data sources, it will focus its work on improving methods for monitoring access and financial burden of beneficiaries, review the evidence on access and cost to beneficiaries, and develop recommendations to address problems it identifies.

The Commission does not plan to undertake any major initiatives in the area of effectiveness research and development of practice guidelines in the next year. It does, however, intend to monitor closely the activities of the Agency for Health Care Policy and Research. As part of that effort, it has scheduled Assistant Secretary for Health, James Mason, to brief the Commission on the work plan for the new Agency at the Commission's upcoming meeting on April 26.

Mr. Conte. What monitoring activities will you be undertaking?

Dr. Davis. The Commission outlined a strategy for monitoring access to care under the Medicare Fee Schedule in its 1989 report. To summarize briefly, it urged that data from recent national surveys such as the National Medical Expenditure Survey (1987), the National Ambulatory Medical Care Survey (1989), and the continuous Health Interview Survey be used to establish baseline information on beneficiary access to Medicare services. In addition, analyses of baseline data on use of services, geographic variations, differences among population groups, assignment rates and balance billing, and temporal trends could be obtained from the 1986-1988 Part B Medicare Annual Data (BMAD) files. The Current Beneficiary Survey, which is to be carried out by HCFA's Office of the Actuary, will also be a valuable source of information on demographic characteristics, financial resources, out-of-pocket costs, health status, and barriers to access unavailable from claims data. After payment reform is implemented, any changes from the baseline trends could be closely monitored so the recommendations for refinements to the payment system could be implemented as necessary.

As directed by the Omnibus Budget Reconciliation Act of 1989, the Commission has the additional responsibility of commenting on the Secretary's annual report on utilization, physician participation, and access. To do so, the legislation specifies that the Commission convene and consult a panel of physician experts to evaluate the implications of medical utilization patterns for the quality of and access to patient care.

Finally, the 1989 report called for establishing a feedback process that would permit interested groups, including beneficiaries and providers, to review available data and to present the Commission any additional information that should be considered in assessing access to care. The Commission has already solicited such input from organizations representing Medicare beneficiaries and physician specialty societies to inform its recommendations on the annual performance standard.

Mr. Conte. How will you coordinate your efforts with those of the Department of Health and Human Services?

Dr. Davis. The Commission has developed very good working relations with the Department of Health and Human Services, and especially with HCFA. These extend from the HCFA Administrator to the staff responsible for the many technical issues involved in implementing payment reform. Those relationships have been further strengthened by the appointment of Gail Wilensky, who served on the Commission for one year, to be HCFA Administrator. Commission and HCFA staff have frequent contact to share information and discuss technical issues of mutual concern. Ongoing coordination on issues

related to implementation of the payment reform legislation is handled by the executive staff of the Commission and high-level HCFA staff charged by the Administrator with managing HCFA's work in this area. That coordination thus far has consisted of general briefings on the work of each organization, identification of key staff involved in the work, initial discussions on priorities for analysis in each organization and information needs, and scheduling of meetings among key technical and policy staff for more in-depth briefings on work in specific areas.

RVS Refinements

Mr. Conte. Last year's reconciliation bill provided for the implementation on a phased-in basis of a Medicare physician fee scale based on a resource-based relative value scale. Several aspects of the relative value scale are still under refinement. What will be the Commission's role in developing refinements to this scale?

Dr. Davis. The Commission is working actively in three areas: (1) addressing coding problems that need to be corrected before accurate relative work values can be assigned to EM services and surgical global services; (2) identifying any remaining problems in the scale of relative work and making necessary refinements; and (3) developing more accurate estimates of practice expenses.

In the last year, the Commission has made considerable progress toward resolving coding problems. The Commission's Survey of Visits and Consultations is nearly complete. A consensus panel sponsored jointly by the Commission and the American Medical Association has been convened and is working on incorporating time into definitions of levels of service for evaluation and management codes. Finally, the Commission has developed a standardized surgical global service policy. To calibrate the relative values for surgical global services, the Commission has been compiling and validating data provided by surgical specialty societies on pre- and postoperative visits associated with each operation.

In the fall of 1990, when the second phase of the Hsiao study and the Commission's work on coding are complete, the Commission will begin a formal process to review and refine the scale of relative work. Specialty societies will be asked to identify problems related to the relative work values for surveyed services, cross-specialty links, and the families of services and benchmark services used in the extrapolations. These problems will be corrected by the Commission, in consultation with representatives of the Hsiao team, the AMA, HCFA, and an interspecialty panel of physicians. The Commission will also convene specialty-specific advisory panels of physicians to help it refine relative work values developed through extrapolation. Most of the refinements will be completed by the summer of 1991.

The scale of relative work may need further refinements to make it

applicable to the care of Medicare patients. The Commission plans to identify relative work values that do not reflect the work involved in caring for typical Medicare patients and to obtain data to determine whether these differences are significant. If substantial differences are identified, the Commission will calculate "Medicare adjusters" to the relative work values for those services. This will permit the Medicare program to tailor the relative value scale to the needs of its beneficiaries, while leaving intact a relative value scale applicable to a general population for use by other payers.

To develop more accurate estimates of practice costs, the Commission is guided by two principles: (1) practice costs should be assigned so that physicians have neutral incentives to provide one service rather than another; and (2) practice expenses should be assigned to services so that the average physician providing the service recovers his or her practice expense. To develop data on practice expense that is specific to services, the Commission has been working with large fee-for-service multispecialty group practices with sophisticated accounting systems that can identify the direct costs of equipment, specialized personnel, and supplies required to provide particular services in physicians' offices or clinics. Other data, such as the Commission's 1988 Survey of Physicians, the most recent Medical Group Management Association Survey of Group Practices, and planned case studies of smaller practices will be used to adjust the data from the large multispecialty groups to be representative of medical practice.

Fee Adjustment Study

Mr. Conte. The reconciliation bill also provided that the existing Medicare fee localities would initially be the basis for making adjustments under the new fee schedule. The PPRC is required to study this issue and report to Congress by July 1991 on the appropriateness of using metropolitan statistical areas, or other payment areas, for payment purposes.

Can you tell us what plans you have in developing this report?

Dr. Davis. We presented our plans for evaluating fee schedule payment area options in Chapter 6 of our 1990 Report to Congress. I can answer your question by summarizing that chapter.

The reconciliation bill specified that Medicare fee schedule payments will be adjusted for geographic differences in the cost of practice. This will be accomplished by applying a geographic adjustment factor with different values in different payment areas to national average fee schedule amounts. We plan to evaluate payment area options with respect to several principles which reflect that process.

In particular, payment areas should permit accurate tracking of geographic variation in practice input prices. Payment areas

should be designed to avoid large differences in fee schedule payments across borders. Furthermore, the payment system should be simple to administer and should be understandable to physicians and beneficiaries.

We identified three major payment area options in our report: current carrier charge localities, payment areas for each metropolitan statistical area (MSA) within a state and for the nonmetropolitan counties of each state, and statewide areas. A preliminary analysis of these options suggested that differences in Medicare payments under those options are generally moderate. Statewide payment areas tend to have smaller differences across boundaries but track differences in practice costs less well than other options.

Before making a recommendation, we shall extend the evaluation to several variants of these major configurations. For example, statewide payment areas could be redefined exclusive of very large metropolitan areas which would be separate areas with their own payment adjusters. Alternatively, the current payment areas could be retained except that some of the smaller areas would be consolidated by HCFA. Another option would reconfigure the nonmetropolitan portions of states into two segments according to population density and proximity to a large urban area. Finally, a highly urbanized core could be designated as a payment area separate from the remainder of a large MSA. We shall assess the options with respect to the evaluation principles that I have identified. The option that we recommend will be the one which, in the Commission's judgment, comports the best with all the principles.

Mr. Conte. What factors will you be looking at?

Dr. Davis. I identified the major factors that we will be looking at in my response to the preceding question. These are the evaluation principles regarding accuracy of tracking of input price variation, avoidance of large differences in payments across borders, and administrative and conceptual simplicity.

Malpractice

Mr. Conte: Your commission will be developing a study and report to Congress by July of next year on alternative means of paying malpractice costs under the new fee schedule. Can you share with us some of the alternatives that have been discussed in the research community on this important matter?

Dr. Davis: The Commission detailed four alternatives for the payment of physicians' professional liability insurance (PLI) expenses in its 1990 report. Additional exploration of the options is planned in order to quantify or further clarify the options' relative merits. The Commission will make a recommendation based

on the results of its study.

The options discussed to date within the Commission and the research community are incorporation of the expense into the fee schedule, direct payment of Medicare's share of the PLI expense to physicians in a lump sum, and the federal government acting as an insurer.

Incorporating PLI payments into the fee schedule could be accomplished by varying the PLI markup for each service according to the specialty of the individual physician. Another method would assign a markup to the individual service based on the service's "risk." A proxy for a risk-of-service markup, as specified in OBRA89, would be to base payment on the average PLI markup of all specialties providing the service, weighted by the frequency in which the specialties provide the service.

Direct payment would separate PLI costs from the fee schedule. Medicare's share of each physician's PLI expenses would be paid directly to the physician each year. This share could be determined by the portion of time a physician spends with Medicare patients or the portion of his or her revenues received from the program.

The fourth alternative is for the federal government to insure physicians against any claims filed by their Medicare patients. The Commission will examine this option taking into consideration the potential for federal experimentation in tort reform and alternative dispute resolutions.

Annual Volume Standards

Mr. Conte. Your commission will be responsible for commenting on the annual volume performance standard recommendations made by the Department. How will you be evaluating these recommendations?

Dr. Davis. The Commission will be evaluating the Department's recommendations in a number of ways.

First, the basic data behind the HHS recommendation will be compared with similar projections made by the Congressional Budget Office. We will work out any discrepancies between the two sets of figures with the CBO and the Health Care Financing Administration's Office of the Actuary.

Second, the Commission has gathered information on many of the factors which should influence the rate of increase, such as beneficiary access to care, the level of inappropriate care currently being provided to beneficiaries, and recent changes in medical technology. This information will be brought together and used to support a detailed staff analysis of the Department's recommendation.

Third, the Commission will examine data on recent trends in expenditures, fee levels, and the volume of procedures provided to Medicare beneficiaries. Data of that sort often highlights the sources of Part B expenditure growth, for example, whether expenditures are growing faster for surgery or for other types of care. A better understanding of the reasons behind the growth of expenditures will allow the Commission to put the Department's recommendation in context. This will also let the Commission see how well the Department's recommendation squares with recent changes in Part B expenditures.

Finally, the Commission will draw upon its combined expertise in medicine, economics, business, and other disciplines to offer its own recommendation as to the appropriate rate of growth of Medicare expenditures for physicians' services.

Mr. Conte. What criteria do you think are important in setting Volume Performance Standards?

Dr. Davis. OBRA89 directs the Secretary of the Department of Health and Human Services to consider the following factors in developing recommendations about the size of annual performance standards:

- o inflation
- o changes in the number and age composition of Medicare beneficiaries
- o changes in technology
- o evidence of inappropriate utilization
- o evidence of reduced access to necessary services
- o other factors judged appropriate by the Secretary

Each of these factors is important in setting volume performance standards (VPSs). The first three--inflation, changing demographics, and technological change--can raise Medicare expenditures, but for reasons largely beyond the control of physicians. In general, physicians should not be penalized through lower fee updates as a result of growth in such factors. Consequently, these factors should be taken into account in setting the standards.

The next two--the amount of inappropriate utilization and the extent of access problems--also should be considered. The existence of inappropriate utilization implies that there are instances in which Part B expenditures are not being spent well. Problems with access, however, could imply that more should be spent if the additional spending would result in improved access. The extent to which one of these factors predominates over the other influences how much Medicare expenditures should rise, and hence, the size of the performance standards.

In addition to these factors, the Congress may wish to examine the larger issue of whether scarce public funds should be spent on Part B as opposed to other public programs. It must decide, for example, whether more is to be gained by increasing Part B funding versus spending more on other programs such as education and housing.

Finally, it is important to realize that large reductions in volume and intensity growth are likely to be achieved only gradually. Physicians and beneficiaries need to recognize that medical care decisions must reflect not only the benefits, but also the costs of additional expenditures. Physicians will have to limit the provision of inappropriate and unnecessary services. Beneficiaries need to understand that the Medicare program can no longer afford to pay for services of limited medical value. Since changes in perceptions do not occur overnight, it may not be appropriate to try to achieve immediate substantial savings from the VPS system.

Medicaid Standards

Mr.Conte. Your Commission will also be looking into the adequacy of physician fees, physician participation, and beneficiaries' access to care under the Medicaid program. What are you doing to gear up for this effort?

Dr. Davis. Last fall, Medicaid directors -from Michigan, Washington, and Mississippi testified before the Commission about problems related to Medicaid physician payment, the policies they have implemented to address some of these problems, and the issues that they would like the Commission to consider.

The Commission has also reviewed state Medicaid program characteristics, the limited information on Medicaid physician payments, and studies on access and physician participation in the Medicaid program. This information is included in our 1990 Annual Report to Congress.

Currently, the Commission with the assistance of the National Governors' Association is surveying state Medicaid programs concerning physician participation and fee levels. We hope to obtain fees for twenty services important to the Medicaid population as well as other program information on payment methodologies, program expenditures, and physician participation.

As soon as the results of the survey are available we will analyze how alternative ways of paying physicians will affect access and expenditures. We also plan to examine the effects of fee increases in states that have already made changes.

Mr. Stokes. Dr. Davis, I welcome you. It is a pleasure to have you here before this committee once more. I am concerned about the provision of quality health care provided in an effective and efficient manner available to all Americans. In your budget justification, you discuss plans to explore how best to structure medical review and quality improvement activities of the Medicare program so that they reinforce the work of the Agency for Health Care Policy and Research (AHCPR), physician organizations, and others to improve the quality and efficiency of clinical practice. Please tell us what specific initiatives you have planned.

Dr. Davis. In both its 1989 and 1990 Reports to Congress, the Commission discussed the need for better coordination of Medicare's quality and utilization review practices among the PROs and carriers. The intent is to avoid overlapping and particularly conflicting review by different entities, and to standardize and improve the techniques and criteria used by the PROs and carriers. HCFA has begun to pursue both these goals. The Commission is examining methods of review in use in the private sector, including managed care organizations, that Medicare might draw on, particularly methods like profiling that promise to reduce the intrusiveness and improve the accuracy of review.

At the same time, the Commission is examining the larger questions about the organization of Medicare review, including those raised by the recent report of the Institute of Medicine project to design a strategy for quality assurance for Medicare. Our initial work is focused on evaluating the promise of new approaches being developed by several provider organizations and the Joint Commission on Accreditation of Healthcare Organizations.

Mr. Stokes. What resources are requested to support this work?

Dr. Davis. Most of the resources required are those of the Commission's core staff and support, though we anticipate funding several small contracted studies later in the process. This work is expected to extend beyond the 1990-91 year, and to be reported in the Commission's 1991 and 1992 Reports to Congress.

Mr. Stokes. In your 1990 Annual Report to Congress, you state the Commission will be exploring the impact of medical tort liability on the cost and quality of care. What progress has the Commission made regarding this issue?

Dr. Davis. The Commission will clarify the goals of the medical tort liability system and what is known about the performance and costs of the current system at its June 1990 meeting. Staff have reviewed what is known about the costs of defensive medicine induced by fear of malpractice litigation. The Commission has also begun to examine the major reforms that have been proposed for the tort liability system including existing state tort reforms, and

the alternatives that have been proposed to replace the tort liability system including administrative fault-based systems, no-fault systems, and removal of selected kinds of medical injuries such as infants with cerebral palsy from the tort liability system. The Commission expects to report its findings and recommendations in the 1991 Report to Congress.

Mr. Stokes. You are requesting an increase of only $65,000. This is less than 1.7 percent and less than 1/2 the rate of inflation. At what level will this amount allow the Commission to function in FY1991? What will you be able to accomplish under the President's budget and what will you have to forgo?

Dr. Davis. The Commission's request for an increase in its budget of only $65,000 over its FY1990 appropriation is based on an assessment of the resources needed to carry out its work plan. In addition, it should be noted that the Commission received an appropriation for FY1990 above its original request due to the reimbursement of monies transferred from its 1989 budget to the Prescription Drug Commission, minus FY1990 sequestration percentages. The Commission's request for FY1991 is actually 4 percent above what it had requested the previous year. This level factors in a mandatory inflation rate, cost of living increases, office rent, and increases to new or ongoing contract overhead rates. Because the Commission received a substantial increase in its budget for FY1990, it believes that it will be able to operate next year with only a modest increase in funding.

The Commission does not expect to forgo any important projects with this level of funding. In fact, it plans to maintain its strong record of accomplishment in the coming year. The work plan contained in the Commission's appropriation request submitted to this Committee last January provides a detailed description of what the Commission will be able to accomplish in the coming year. Let me briefly summarize some of the major projects on which the Commission expects to make recommendations to Congress in FY1991.

The Commission will complete much of its work on refining the Medicare Fee Schedule which is to be implemented on January 1, 1992. This will entail reforming the coding system for surgical global services and for visits and consultations, assigning relative physician work values to these services, and conducting a process to refine the relative values that will involve panels of physicians from each specialty providing services under the Medicare Fee Schedule.

The Commission also will develop more accurate estimates of practice costs to be incorporated into the fee schedule and determine how malpractice premium costs should be paid under the Medicare Fee Schedule. It will conduct analyses to determine if the existing geographic practice cost indexes fully capture the costs of practice for physicians in rural areas. It will also

assess alternative definitions for payment areas to which cost of practice adjustments would apply under the fee schedule. It will provide advice to Congress on these issues in its next annual report.

In addition to determining the payment for physicians under the fee schedule, the Commission will be able to develop recommendations for Congress on how the fee schedule should apply to payment for limited license practitioners and nonphysicians.

In addition to its work on the Medicare Fee Schedule, OBRA89 gave the Commission ongoing responsibility in the implementation of Medicare Volume Performance Standards to comment on the recommendations of the Secretary of Health and Human Services and develop its own recommendations for setting the performance standard and updating fees. The Commission is preparing analyses that will enable it to review the Secretary's recommendations on May 15 for the first time. During the coming year, it will also develop a process that incorporates review of data, ongoing analysis, and gathering information from experts and interest groups that it will follow in developing future recommendations. Finally, it will continue to assess the feasibility of moving to a system of subnational performance standards.

The Commission expressed its continuing concern about assuring the financial protection of beneficiaries in its recent report to Congress. Using analyses based on its Beneficiary Survey and other data sources, it will focus its work on improving methods for monitoring access and financial burden of beneficiaries, review the evidence on access and cost to beneficiaries, and develop recommendations to address problems it identifies.

Among the other issues the Commission will work on in the coming year, with the goal of providing policy recommendations to Congress in FY1991, is physician payment under Medicaid. Congress placed this issue on the Commission's agenda in OBRA89. As a first step, the Commission is conducting a survey of state Medicaid programs to gather information on physician fees and state payment policies. The Commission staff will analyze data from that survey during the next year as well as conducting case studies to determine the impact of recent changes in state Medicaid policy on physician participation in the program, beneficiary utilization, and program expenditures.

While this summary does not cover every item on the Commission's agenda for the coming year, it provides an overview of the many tasks the Commission expects to accomplish and the areas in which the Commission will be making recommendations to Congress in FY1991.

Mr. Stokes. What is the current services level for FY1991?

Dr. Davis. As stated above, the Commission included a 4 percent increase in service/operational levels in its budget request for FY1991.

Mr. Stokes. What amount did you request from OMB?

Dr. Davis. The Commission's budget is not subject to review by OMB. The Commission submits a figure each year for inclusion in the President's Budget, but it is incorporated automatically. For FY 1991, the Commission specified that a request of $3,871,000 be included in the President's Budget. The Commission requested the same amount in its FY1991 Appropriations Justification to Congress.

Mr. Dwyer. Last year, Congress adopted a physician payment reform package, agreeing that a fee schedule should apply to all physician providers and that payment differentials based on the specialty of the provider should be eliminated. It is my understanding that the PPRC is currently analyzing the services of optometrists and podiatrists for treatment of their services under the new fee schedule. Why do you believe that these professionals warrant further analysis?

Dr. Davis. In its 1990 report, the Commission stated that the principle that physicians should be paid the same when the service is the same should apply to all practitioners defined as physicians under the Medicare statute. Therefore, when podiatrists and optometrists provide the same service as doctors of medicine (MDs) and osteopathy (DOs), they should receive the same payment. The Commission could use information about resource costs for services billed by these practitioners under the same procedure codes as those used by MDs and DOs to assign relative values for their services. But less is known about these services and whether or not they differ from those provided by MDs and DOs.

A number of Commission activities already underway should yield more information about these services. For example, in the case of evaluation and management (EM) services, the participation of both podiatry and optometry in advisory panels related to the EM coding consensus process should improve knowledge about the content of visits provided by these practitioners. There will also be opportunities to compare technical procedures provided by podiatrists and optometrists to those provided by MDs and DOs as part of the process to refine the relative value scale. Visit pattern data collected to develop relative values for specific surgical global services may be useful in comparing services between podiatrists, orthopedists, and dermatologists. The Commission anticipates that these analyses will be completed and that the issues will be resolved well before implementation of the fee schedule in 1992.

Mr. Dwyer. Have you found differences in terms of instruments, equipment, and examinations which would cause optometrists and podiatrists not to meet the "not substantially different" principle previously put forth by the PPRC?

Dr. Davis. No data currently exist that permit direct analysis of this question. The Commission activities described above, however, are likely to shed light on these issues. For example, the Commission may find that some procedure codes represent different services to different practitioners. These differences could then be accommodated by changes in coding. For other codes, the Commission may find that these practitioners provide similar services. In that case, they should be paid the same amount. Nevertheless, additional work may be necessary to refine relative values for procedures in which optometrists or podiatrists dominate so that estimates of time and work are valid. This input could be

obtained via surveys, through consensus panels, or from specialty societies.

Mr. Dwyer. In the fiscal year 1991 budget request, the Administration has stated its intention to expand the "thrust of OBRA-89," and go toward managed care. Do you share the Administration's contention that the fee-for-service approach has not served beneficiaries well?

Dr. Davis. Both fee for service and managed care such as HMOs have important roles to play in the medical care system. But HMOs play a much smaller role in the care of Medicare beneficiaries than those with private insurance. The Commission is examining policy options to make Medicare risk contracting more attractive to both beneficiaries and HMOs.

Mr. Weber. As you know, Congress has been moving to reduce the "urban-rural gap" in Medicare reimbursement. By your calculations, do you know how far we are from eliminating that gap?

Dr. Davis. Under customary, prevailing, and reasonable (CPR) payment for physicians' services, payments by Medicare tended to be higher in urban areas. Under the fee schedule, the difference will be narrowed substantially. By our calculations, payments rural counties with population under 25,000 were 13 percent below the national average under CPR and will be 7 percent below under the fee schedule. For larger rural counties, the difference will be reduced from 10 percent to 5 percent. These figures are averages. Payment in some rural areas will increase by much larger percentages, while payment in others will not increase at all, or even fall. The impact of the fee schedule on rural physicians will be more favorable than these numbers indicate since their practices emphasize those services whose fees will be increasing under the fee schedule. We project that the average rural physician will gain 13 percent under the fee schedule.

Mr. Weber. While many of us feel that ending the urban-rural disparity would be very helpful for rural hospitals and physicians, I am concerned that merely ending the disparity would not be enough. From your information, do you know what an immediate elimination of the urban-rural disparity would do to the rate of rural practice hospital closings over the next several years?

Dr. Davis. The presence of practicing physicians in a rural area is important to a rural hospital's economic viability. To the degree that increased payments to physicians promote retention or relocation in rural areas, this will help hospitals. I have no quantitative information on these relationships, however.

Mr. Weber. Many people also believe a move to the "resource-based

relative value scale (RBRVS) would also help rural physicians. Do you have any information as to how a move to RBRVS would affect the closing rate of rural physicians?

Dr. Davis. My answer to one of your earlier questions provided estimates of the impact of the fee schedule on rural physicians. Some research suggests that narrowing the payment difference between urban and rural areas is likely to increase physician supply in the latter. The most relevant piece of research on this point is an evaluation by Mathematica Policy Research of the effects of the introduction of universal health care coverage in Quebec.[1] Universal coverage ended urban-rural payment differentials in Quebec. The study concluded that other things being equal, the average gross payment for general practitioners (GPs) in an area tends to exert a positive effect on the migration of GPs, although the magnitude of the estimated effect appears to be sensitive to the specification of the model (p. 6)

It goes on to suggest that

> The observed movement of general practitioners to areas in Quebec where payments per GP are relatively high suggests that financial incentives may provide policy options for affecting the distribution of physicians (p. 15).

Mr. Weber. There is considerable interest in rural areas in making greater use of physician assistants (PAs). Do you see any changes we could make in reimbursement policies that could make it more attractive for PAs to work in rural areas?

Dr. Davis. The Commission is currently developing recommendations for Congress on how nonphysician providers, who bill Medicare for their services either directly or indirectly, should be paid under the Medicare Fee Schedule. Physician assistants (PAs) are included in this group of professionals. OBRA89 mandates the Commission to submit a report to Congress by July 1991 on this topic. In addition, the Commission is continuing its work to refine the geographic practice cost index (GPCI), the component of the Medicare Fee Schedule that adjusts the national average payment for a service by geographic differences in practice costs. Both of these research activities will provide the Commission with a sound basis for making recommendations regarding payment to PAs in rural areas.

In our analysis of payment policy to nonphysicians, we are

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[1] U.S. Department of Health, Education, and Welfare, Public Health Service, National Center for Health Services Research, Responses of Canadian Physicians to the Introduction of Universal Medical Care Insurance, NCHSR Research Digest Series, DHEW Publication No. (PHS) 80-3229, February 1980.

examining how nonphysicians substitute for physicians, the effectiveness of nonphysicians in providing specific services, and the supply of and demand for nonphysician providers by hospitals and physicians. Our analysis will focus on the care provided by PAs and whether or not the nature of the care varies by practice setting (hospital vs. private practice vs. HMO) or by region of the country (state differences and urban/rural differences). We are working with the American Academy of Physician Assistants in our effort to collect meaningful data on PA practice in the United States.

As you know, current payment policy for PAs is set at a percentage of the prevailing physician rate for the same service. The percentage ranges from 65 to 85 percent depending upon the type of service provided by the PA. Payment for PA services in rural areas is either cost-based under the provisions of the Rural Health Clinic Act of 1977, or fee-for-service when billed as "incident to" physician services. The Commission is studying current payment policy and the accompanying incentives for the efficient utilization of PAs. As a part of our ongoing work to refine the geographic practice cost index (GPCI), we will evaluate the extent to which the GPCI is sensitive to urban and rural differences in the cost of practice. For example, we know that the cost of nonphysician employees accounts for a greater fraction of practice costs in rural areas than urban areas.

Commission staff are preparing a presentation on nonphysician providers for the Commission's June 1990 meeting.

Mr. Weber. In general, do you have any new suggestions as to how we can address the growing economic problems rural health providers are facing?

Dr. Davis. The Commission has been concerned about the economic problems of rural health providers since it began its work in 1986. In its first report in 1987, the Commission documented one important issue, the disparity in payments between rural and urban physicians. At that time, it recommended a bonus payment for physicians in underserved areas. Congress adopted such a policy in OBRA87 and expanded it in OBRA89. As noted in my answers to earlier questions, the Medicare Fee Schedule will provide additional relief to rural physicians both through the increase in payments for evaluation and management services and through application of the geographic practice cost index (GPCI) to determine how payments will vary from one geographic area to another. The Commission has some concerns about the accuracy of the GPCI in reflecting the costs of practicing in rural areas. It devoted a chapter in its 1990 Report to Congress on this issue and will be continuing its analysis and developing recommendations to address any problems uncovered during the coming year.

These general approaches to payment for medical care in rural areas

are not new, but their adoption in Medicare payment policy is new and should ameliorate some of the economic problems faced by rural health providers. Initiatives will have to be taken in other areas as well, however, to address such issues as the health of the economy of many rural areas, the financial ability of rural patients to pay for care, and the recruitment and retention of rural health providers. These issues are beyond the mandate of the Commission, but the Commission will continue to focus on the needs of rural areas in developing its recommendations on payment to health care providers under Medicare Part B.

Mr. Weber. Optometrists in my district tell me that they are waiting to hear from you on the status of payment for optometrists and ophthalmologists. Has any decision been reached as yet, and if not, when do you expect to reach one?

Dr. Davis. The Commission's 1990 report states that the principle that physicians should be paid the same when the service is the same should apply to all practitioners defined as physicians under the Medicare statute. Therefore, when optometrists provide the same service as ophthalmologists (or other doctors of medicine and osteopathy), they should receive the same payment.

The Commission could use information about resource costs for services billed by optometrists under the same procedure codes as those used by ophthalmologists to assign relative values for their services. Little data exists however, about the services provided by optometrists and whether or not they differ from those provided by ophthalmologists.

Several Commission activities should yield information that will permit analysis of these issues. For example, in the case of evaluation and management (EM) services, the participation of optometrists in advisory panels on EM coding related to the EM coding consensus process should improve knowledge about the content of visits. During the process to refine the relative value scale, there will also be opportunities to compare technical procedures provided by optometrists to those provided by MDs and DOs. These analyses will be completed well before implementation of the fee schedule in 1992. Commission staff met recently with representatives of both ophthalmologists and optometrists to discuss its plans.

ATTACHMENT A

PHYSICIAN PAYMENT REVIEW COMMISSION

COMMISSION MEMBERS

	Total Earnings/FY 1989
Philip R. Lee, M.D., Chairman Director Institute for Health Policy Studies University of California San Francisco, CA 94143	$11,317
Jim Bob Brame, M.D. Private Practice of Medicine Schleicher Count Medical Center Eldorado, TX 76936	8,048
P. William Curreri, M.D. President Strategem of Alabama, Inc. Mobile, AL 36616	8,644
Karen Davis, Ph.D. Chairman Department of Health Policy and Management The Johns Hopkins University Baltimore, MD 21205	7,452
John M. Eisenberg, M.D., M.B.A. Sol Katz Professor of General Internal Medicine Hospital of the University of Pennsylvania Philadelphia, PA 19104	7,452
Jack Guildroy Board of Directors American Association of Retired Persons Port Washington, NY 11050	8,942
Mark C. Hornbrook, Ph.D. Senior Investigator and Senior Economist Center for Health Research Kaiser Permanente, NW Region Portland, OR 07215	7,452

ATTACHMENT A

	Total Earnings/FY 1989
Robert B. Keller, M.D. (new appointee 2/12/90) Private Practice of Medicine and Executive Director Maine Medical Assessment Foundation Belfast, ME 04915	n/a
Carol Ann Lockhart, Ph.D., R.N., F.A.A.N. Director Greater Phoenix Affordable Health Care Foundation Phoenix, AZ 85004	$ 5,664
Walter B. Maher (new appointee/effective 5/89) Director, Federal Relations Chrysler Motor Corporation Washington, DC 20036	895
Walter McNerney Professor of Health Policy J.L. Kellogg Graduate School of Management Northwestern University Evanston, IL 60201	6,558
Thomas R. Reardon, M.D. Private Practrice of Medicine Portland, OR 97230	10,433
Uwe E. Reinhardt James Madison Professor of Political Economy Princeton University Princeton, NJ 08544	6,260
Gail R. Wilensky, Ph.D. (served 5/1/89 - 1/18/90) Vice President Project Hope Chevy Chase, MD 20815	895
Richard Wright (appointment expired 4/89) Manager, Group Insurance Caterpillar Tractor Co. Peoria, IL 61629	5,663

ATTACHMENT B

COMMISSION MEETINGS FROM JANUARY 1987 TO FEBRUARY 1990

1987		Percent in attendance
January 8-9	11	85%
February 12-13	12	92%
April 9-10	12	92%
June 10-11	11	85%
September 10-11	13	100%
November 10-13	10	77%
1988		
January 14-15	12	92%
February 11-12	11	85%
March 10-11	13	100%
April 6-7	11	85%
July 14-15	11	85%
October 6-7	11	85%
November 2-4	12	92%
December 8-9	10	77%
1989		
January 18-19	11	85%
February 8-10	12	92%
March 9-10	13	100%
June 1-2	9	69%
September 14-15	9	69%
October 26-27	12	92%
Nov 30-Dec 1	13	100%
1990		
January 17-19	13	100%
February 22-23	10	77%
Average	11.4	88%

ATTACHMENT C

PHYSICIAN PAYMENT REVIEW COMMISSION

FY 1990 Budget Review
(in thousands of dollars)

OBJECT CLASSIFICATION:	FY 1990 PLAN	FY 1991 PROPOSED BUDGET
Salaries:		
Fulltime Staff	(1,157)	(1,200)
Other Than Fulltime	(123)	(128)
	1,280	1,328
Benefits:	256	266
Travel:	120	125
Standard Level User Charges:	135	140
Communications, Utilities, and Other Rent		
Mainframe Computer Services	(525)	(545)
Telephone	(27)	(28)
Postage	(35)	(37)
	587	610
Printing & Reproduction	65	80
Other Services:		
Research Data/Policy Analysis Studies	(1115)	(1061)
Other Contracts (mtgs, etc.)	(150)	(160)
GSA Services	(38)	(38)
	1303	1259
Supplies and Materials:		
Supplies	(25)	(27)
Publications/Materials	(13)	(13)
	38	40
Equipment:		
Computers	(10)	(11)
Furnishings	(12)	(13)
	22	23
TOTAL OBLIGATIONS:	3,806	3,871

ATTACHMENT 5

PHYSICIAN PAYMENT REVIEW COMMISSION

SALARIES AND EXPENSES

Object Classification (in thousands of dollars)

95-1000-1-1-801

		1990 Estimate	1991 Estimate
	Personnel Compensation:		
11.1	Fulltime permanent.....	$1157	$1200
11.3	Other than fulltime permanent....	123	128
11.9	Total personnel compensation.....	1280	1328
12.1	Personnel benefits: Civilian.....	356	266
21.0	Travel and Transport of Things...	120	125
23.1	Standard level user charges.....	135	140
23.2	Communications, utilities, and other rent.....	587	610
24.0	Printing and reproduction.....	65	80
25.0	Other services.....	1303	1259
26.0	Supplies and Materials.....	38	40
31.0	Equipment.....	22	23
99.9	TOTAL OBLIGATIONS.....	$3806	$3871

JUSTIFICATION OF THE BUDGET ESTIMATES

PHYSICIAN PAYMENT REVIEW COMMISSION

FY 1991 Budget	Page
Appropriation Language	1
Amounts Available for Obligation	2
Summary of Changes	3
Budget Authority by Activity	5
Budget Review by Object Classification	6
Authorizing Legislation	7
Appropriation History Table	8
Budget Justification	9
Accomplishments	9
Commission Work Plan	14
Estimate for Fiscal Year 1991	23
Estimates for Consulting Services	28
Estimates for Related Services	29
Detail of Permanent Positions	30
Salaries and Expenses	31

PHYSICIAN PAYMENT REVIEW COMMISSION

Appropriation Language

General and Special Funds:

SALARIES AND EXPENSES

For expenses necessary to carry out Section 1845(a) of the Social Security Act, [$3,806,000] $3,871,000 is to be transferred to this appropriation from the Federal Supplementary Insurance Trust Fund.

PHYSICIAN PAYMENT REVIEW COMMISSION

Amounts Available for Obligation

	1989 Actual	1990 Appropriation	1991 Estimate
Appropriation	$2,897,000	$3,806,000	$3,871,000
Unobligated balance start of year	-0-	-0-	-0-
Unobligated balance lapsing	-0-	-0-	-0-
TOTAL OBLIGATIONS	$2,897,000	$3,806,000	$3,871,000

PHYSICIAN PAYMENT REVIEW COMMISSION

Summary of Changes

Authority	Budget Balance	Unobligated Incurred Net	Obligations
FY 90 Current Appropriation	$3,806,000	-0-	$3,806,000
FY 91 Estimate	3,871,000	-0-	3,871,000
Net Change	$ 65,000	-0-	$ 65,000

	1990 Base Pos. (FTE)	Budget Authority	Change from Base Pos. (FTE)	1991 Budget Request
Increases:				
1. Salaries				
Fulltime	25	$1,157,000	26	$ 43,000
Commissioners	2	100,000	2	5,000
Other Compensation	0	23,000	0	-0-
2. Benefits	n/a	256,000	n/a	10,000
3. Travel				
Staff	---	30,000	---	2,000
Commissioners	---	70,000	---	3,000
Other	---	20,000	---	-0-
4. Standard Level User Charges	---	135,000	---	5,000
5. Mainframe Computer Services and Programming	---	525,000	---	20,000
6. Other Communications (Telephone, Postage)	---	62,000	---	3,000
7. Printing/Reproduction	---	65,000	---	15,000
9. Other Contracts	---	150,000	---	10,000
11. Supplies	---	25,000	---	2,000
12. Equipment (PC and Furnishings)	---	22,000	---	1,000
SUBTOTAL		$2,678,000		$ 119,000

Summary of Changes (Cont'd)

	1990 Base		Change from Base	
	Pos. (FTE)	Budget Authority	Pos. (FTE)	1991 Budget Request
Decreases				
Policy Analysis and Data Development.....	---	1,113,000	---	- 54,000
No Change				
Publications	---	13,000	---	-0-
GSA Services	---	38,000	---	-0-
NET CHANGE		-0-		$ 65,000

PHYSICIAN PAYMENT REVIEW COMMISSION

Budget Authority by Activity

(Budget Authority in Thousands)

	1990 Base		1991 Estimate	
	FTE	Amount	FTE	Amount
Administration and Management -	25	$2,691	26	$2,810
Policy Analysis and Data Development	n/a	1,115	n/a	1,061
TOTAL		$3,806		$3,871

PHYSICIAN PAYMENT REVIEW COMMISSION

FY 1990 Budget Review
(in thousands of dollars)

OBJECT CLASSIFICATION:	FY 1990 PLAN	FY 1991 PROPOSED BUDGET
Salaries:		
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	587	610
Printing & Reproduction	65	80
Other Services:		
Research Data/Policy Analysis Studies	(1115)	(1061)
Other Contracts (mtgs, etc.)	(150)	(160)
GSA Services	(38)	(38)
	1303	1259
Supplies and Materials:		
Supplies	(25)	(27)
Publications/Materials	(13)	(13)
	38	40
Equipment:		
Computers	(10)	(11)
Furnishings	(12)	(11)
	22	23
TOTAL OBLIGATIONS:	3,806	3,871

PHYSICIAN PAYMENT REVIEW COMMISSION

Authorizing Legislation

	1990 Amount Authorized[1]	1990 Estimate	1991 Amount Authorized	1991 Budget Request
PPRC				
1. Administration and Management	1	$2,691,000	1	$2,810,000
2. Policy Analysis and Data Development	1	$1,115,000	1	$1,061,000

[1] The Commission's authorizing legislation, P.L. 99-272, Section 9305(d), stipulates the expenditure of "such sums as necessary".

PHYSICIAN PAYMENT REVIEW COMMISSION

Appropriation History Table

	Budget Estimate to Congress	House Allowance	Senate Allowance	Appropriation
1987	$1,001,000	$1,000,000	$1,000,000	$1,000,000
1988	$3,210,000	$2,997,000	$2,997,000	$2,997,000[1]
1989	$3,059,000	$3,059,000	$2,897,000	$2,897,000
1990	$3,722,000	$3,847,000	$3,847,000	$3,806,000
1991	$3,871,000	---	---	---

[1] Total appropriation for Fiscal Year 1988 only; actual FY 1988 budget plan included FY 1987 carryover amount of $127,000.

PHYSICIAN PAYMENT REVIEW COMMISSION
FY 1991 Budget Justification

The Physician Payment Review Commission (PPRC) was established by Congress in Public Law 99-272, the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA). The legislation specified that

> The Commission shall make recommendations to Congress, not later than March 1 (amended to March 31 by OBRA 1987) of each year..., regarding adjustments to reasonable charge levels for physician's services recognized under section 1842 (b) and changes in the methodology for determining the rates of payment, and for making payment, for physicians' services under this title and other items and services under this part.

Within this broad charge, the legislation identified eight specific areas that the Commission should address in its recommendations to Congress. In the Technical and Miscellaneous Revenue Act of 1988 (P.L. 100-647), the Congress further specified that the Commission shall "consider policies for moderating the rate of increase in expenditures...and the rate of increase in the utilization of services."

PPRC is a legislative commission, with its 13 members appointed by the Director of the Office of Technology Assessment. An Executive Director and a staff of not more than 25 assist in its work. The Commission has established operating policies for meeting its responsibilities. It holds at least seven public meetings and hearings each year. It has set up processes to assure substantial participation in its work by interest groups concerned with Medicare physician payment. It also coordinates its work with the Prospective Payment Assessment Commission (ProPAC) in areas of mutual interest through a Liaison Subcommittee comprised of three commissioners each from ProPAC and PPRC.

The sections to follow summarize the accomplishments of the Commission in the past year and the Commission's work plan for FY 1991 and describe how the funds for FY 1991 would be used to support the Commission's work.

ACCOMPLISHMENTS

This has been a very productive and successful year for the Commission. The Commission met its goal of providing Congress with a comprehensive set of proposals for Medicare physician payment reform in its 1989 report. The 1989 Report to Congress defined the broad policy directions for reform, presented detailed analyses underlying its recommendations and specified methods to be used in developing and implementing payment reform legislation.

Shortly after the Commission submitted its report, the committees with jurisdiction over Medicare Part B policy began to draft proposals for the payment reform legislation that was enacted as part of the Omnibus Budget Reconciliation Act of 1989 this past November. The Commission worked closely with members and staff of the key committees as they were shaping their proposals, clarifying its work, conducting additional analyses requested by the committees and providing policy advice.

The Commission's recommendations provided a framework for developing payment reform legislation, and the policy that was enacted reflected the Commission's work both in its broad approach and many of its details. That legislation establishes a Medicare fee schedule, places limits on balance billing, sets volume performance standards for determining fee updates, and creates a new agency responsible for fostering medical effectiveness research and practice guidelines.

The importance of the Commission's analytical work and policy advice in the development and implementation of the new payment system was underscored when Congress mandated a formal role for the Commission in refining and updating the fee schedule and volume performance standards. In addition, the Congress chose to draw on the Commission's analytic resources for five specific studies mandated in OBRA 1989 to examine issues related to the treatment of physician practice costs and malpractice premium costs in the Medicare fee schedule, defining geographic payment areas, physician fees under Medicaid, payment for assistants at surgery and payment to nonphysician providers.[1]

Commission Report to Congress

In its 1989 report, the Commission proposed a comprehensive plan to rationalize the pattern of Medicare payments to physicians, to provide financial protection for Medicare beneficiaries and to control the growth in Medicare expenditures while assuring access to appropriate medical services. Its main elements were a Medicare fee schedule based primarily on resource costs, limits on balance billing and use of expenditure targets coupled with increased research on the effectiveness of medical services and the development of practice guidelines.

The Commission's recommendations in the 1989 report reflected over a year's worth of work to define the methods for developing a Medicare fee schedule. The Commission devoted considerable staff resources to evaluating the study conducted by William Hsiao and his colleagues at Harvard to develop a resource-based relative value scale. It determined that the methodology used for estimating relative physician work was sound and, with refinements

[1] The analyses to be undertaken in each of these areas are described in the Commission work plan below.

by the Commission, could provide the basis for physician work estimates in the relative value scale (RVS) of the Medicare fee schedule. The Commission developed its own formula for incorporating practice costs into the relative value scale and has been refining the estimates of practice costs to be used in the RVS. Based on analyses of existing data, Commission surveys and the use of consensus panels, the Commission recommended changes in the coding system underlying the relative value scale. In addition, it examined alternative methods for making geographic adjustments in payments, calling for an adjustment to reflect only variation in overhead costs.

The Commission continued to monitor trends in assignment, physician participation and balance billing. It also conducted a survey of Medicare beneficiaries to learn more about beneficiaries' understanding of Medicare policies and their experience in obtaining care on an assigned basis. The 1989 report presented the data from these sources along with its analysis of options for providing greater financial protection for beneficiaries and its recommendations for limits on balance billing.

To provide Congress with estimates of the impact of its recommendations on physicians and beneficiaries, the Commission conducted simulations of the effects of its proposed Medicare fee schedule and presented the results in the 1989 report.

The Commission's proposed strategy for slowing the growth in expenditures combined the use of collective incentives to contain costs through expenditure targets with expanded efforts to provide physicians with the information needed to identify and reduce unnecessary services. The 1989 report presented analyses underlying the Commission's recommendations on the design of an expenditure target system and its use in updating physician fees.[2] Based on its review of available research and the papers and proceedings from its conference on practice guidelines, the Commission assessed the potential to improve medical practice through clinical effectiveness research and the use of practice guidelines. It also examined current Medicare utilization and quality review programs, recommending a more comprehensive approach to review that would reinforce efforts to increase the appropriateness of services provided to Medicare beneficiaries.

Advice to Congress

This past year, the Commission was actively involved in providing information and advice to the Congress, particularly in the development of the physician payment reform legislation and on the Medicare Part B budget for fiscal year 1990.

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[2] The Volume Performance Standards in the payment reform legislation are very close in concept and design to what the Commission described as expenditure targets in its report.

Advice on Payment Reform Legislation. The Commission presented its recommendations to the Committee on Finance and the Health Subcommittee of the Committee on Ways and Means six weeks prior to publication of its 1989 report in order to facilitate their work on payment reform legislation. On April 30, the report was sent to all members of Congress and their staff who work on Medicare issues. Throughout the spring, the Commission testified a total of seven times on various issues and recommendations in its 1989 report: twice before the Health Subcommittee of the Committee on Ways and Means and the Subcommittee on Health and the Environment of the Committee on Energy and Commerce, and once each before the Committee on Finance, the Subcommittee on Health and Long Term Care of the Committee on Finance and the Senate Committee on the Budget.

Members of the Commission and Commission staff also reviewed the recommendations and alternative policies with committee chairmen, members of Congress and Congressional staff. Commission staff responded to specific requests for information, analysis and technical and policy advice from key committee staff. In addition, the Commission chairman and staff were invited to attend some legislative briefing and drafting sessions as a resource to the committees.

Budget Advice. The Commission was asked by the committees with jurisdiction over Medicare Part B for its advice on how to achieve the savings in Medicare physician payment set in the budget reconciliation process. It developed a set of recommendations for short-term change that would be consistent with the longer-term reforms it proposed in its 1989 report. These included reform of accounting for anesthesia time units, reduction in the scheduled MEI update for all but primary care services, reduction in the conversion factor for the radiology fee schedule and reductions in prevailing charges for overvalued procedures. Each of these recommendations is reflected in the budget provisions of OBRA 1989. The Commission developed the list of overvalued procedures used by Congress in the legislation. To assure its accuracy, the Commission circulated an initial list of procedures to medical interest groups for comment, considered evidence for refinement of relative values or deletion of specific services from the list and modified the list prior to enactment of the budget legislation.

Commission Operations

In preparing its report and advising Congress on physician payment reform and Part B budget policy, the Commission continued to approach its work in the manner it has developed over the past three years. A key to its effectiveness has been the meshing of first-rate analytical work by a highly skilled and professional staff with strong working relations with the interest groups affected by its policy recommendations. In addition to working closely with Congress, as described above, the Commission also maintains ongoing working relationships with staff in other

Congressional agencies, ProPAC and the Health Care Financing Administration.

Commission Staff. The Commission staff are the major source of information used as the basis for Commission recommendations. At present, the staff totals 23, 18 of whom are professionals supported by 1 administrative staff member and 4 secretaries. Work by the staff is supplemented by the selective use of outside contracts for conducting surveys and gathering data, analysis of carrier claims data, work to support Commission conferences and consensus panels, and preparation of analyses and background papers in areas of specialized expertise.

Relations with Interest Groups and the Public. Each year as the Commission has moved forward with the development of new physician payment policies, its interactions with interest groups and the public have become more important. The Commission held six public meetings and three hearings in FY 1989 and plans seven meetings and two hearings this year. The hearings in the past year were particularly important in allowing interest groups to comment on such issues as the use of the Hsiao study in developing a Medicare fee schedule, options related to assignment and balance billing, the feasibility of expenditure targets and the use of practice guidelines in improving clinical care. The Commission's third hearing was devoted to gathering information on an issue of major concern to many members of Congress: assuring that payment under the fee schedule accurately reflects the costs of practicing medicine in rural areas.

As it was developing its recommendations on both payment reform and the Medicare Part B budget, the Commission spent a considerable amount of time meeting with representatives of physician specialty groups, beneficiary organizations and others to discuss their particular concerns and looking into the issues they raised. To follow up on the consensus process conducted last year to standardize the definition of the surgical global service, the Commission worked with each surgical specialty society to gather information on pre- and postoperative visits to be included in the global fee for each operation. Recently, the Commission, in collaboration with the American Medical Association, began a consensus process involving physicians, insurers, other health professionals and consumers to reform the coding system for evaluation and management services. The Commission also met with several organizations representing beneficiaries to clarify specific problems beneficiaries face related to balance billing and to evaluate options to provide further protection. These examples illustrate both the Commission's openness to draw on interest groups as a source of information and professional judgment and a willingness to provide opportunities for interest groups to raise both technical and policy issues for further consideration.

The Commission is concerned that its work and work on Medicare physician payment reform in general be understood both by those who will be directly affected and by the general public. To that end,

the Commissioners and Commission staff substantially increased their public speaking as payment reform moved onto the legislative agenda in the past year. The Commission's executive staff also spent a significant portion of their time explaining payment reform issues and options to journalists, staff of physician and beneficiary organizations, representatives of the insurance industry, staff from state health agencies, health services researchers and others who were trying to follow the fast-paced activities that led to enactment of the payment reform legislation.

We expect that in the coming years, as many details of the new payment system are worked out and implementation of the fee schedule begins, maintaining productive working relationships with interest groups and increasing the public's understanding of the changes that are taking place will remain Commission priorities.

COMMISSION WORK PLAN

The Commission's work continues to encompass the broad policy areas addressed in the physician payment reform legislation: development of a resource-based fee schedule, financial protection for beneficiaries, slowing spending for physicians' services and improving clinical practice. The Commission has broadened the scope of its analyses in some areas. For example, it has begun to look at payment of limited license practitioners and nonphysicians under the fee schedule as well as payment of physicians. In addition, Congress has now asked the Commission to work on physician payment under Medicaid as well as Medicare. The funds requested for Fiscal Year 1991 will support continuation of ongoing Commission work as well as analysis of new issues on the Commission's agenda.

Developing the Scale of Relative Work for the Medicare Fee Schedule

The Commission is currently developing a scale of relative work for the Medicare fee schedule that will be based on estimates of physician work from the Hsiao study. Hsiao and his colleagues are correcting certain methodologic problems identified in the Commission's evaluation of the study. The Commission will review these changes as part of its evaluation of the data and results from the second phase of the Hsiao study to be completed in Fall 1990. Problems related to evaluation and management services and surgical global services are being addressed directly by the Commission. When the work of Hsiao and the Commission is completed next fall, the Commission will begin a process to identify any remaining problems of accuracy or reasonableness in the scale of relative work and to make necessary refinements.

Coding of Evaluation and Management Services. The Commission is continuing its work to refine the coding system for evaluation and management (EM) services. Analysis of data from the Hsiao study suggests that physicians could use EM codes more uniformly if time

as well as other relevant descriptors were incorporated in the definitions. To accomplish this reform, the Commission and the AMA recently began a consensus process involving physicians representing 28 specialties that provide EM services, five representatives of CPT, eight representatives of Medicare carriers and private insurers, two consumer representatives and one representative each of nurses and physician assistants. The panel's final recommendations will be presented to the CPT Editorial Panel and to the Commission.

After generic EM codes are revised, additional consensus panels will be convened to revise codes for specialized EM services (such as psychiatric and ophthalmologic services) and to address codes for global EM services (such as visits for dialysis or chemotherapy). The Commission will assign relative work values to EM services using the coding definitions developed by these panels and analysis of data from the completed Hsiao study and from the Commission's Visit Survey.

Surgical Global Services. Last year, the Commission convened a consensus panel of surgeons and Medicare carrier representatives to develop a standardized definition of the surgical global service. The Commission will continue its work to assign relative work values to surgical global services that accurately reflect that policy.

As part of this process, the Commission has solicited data from surgical specialty societies on pre- and post-operative visits associated with each operation performed by a specialty. The Commission, with the assistance of an outside contractor, is now compiling and validating that data. As part of its work on surgical global services, the Commission is also working with surgical specialty societies to develop a list of the "usual and necessary" intraoperative services for each operation that can be used by carriers to detect intraoperative double billing.

Refinement of Relative Work Values. After the Commission completes its analysis and evaluation of data from the Hsiao study and assigns relative work values to EM and surgical global services, it will begin to review and refine the scale of relative work for the Medicare fee schedule. Specialty societies, panels of physicians, Hsiao and his colleagues, and analysts from the AMA and HCFA will all play a role in this process. There are several steps to the process in which methodological problems will be reviewed and corrected and specialty-specific advisory panels of physicians will refine relative work values developed through extrapolation.

Next year the Commission will develop and utilize a file containing 100 percent of physician expenditures to simulate the payments and the impact of the fee schedule. This will allow the Commission to make estimates of the payments for more procedures as well as more accurate estimates for all procedures.

Incorporating Radiology, Anesthesiology and Pathology into the Medicare Fee Schedule

In OBRA 1989, Congress incorporated the Radiology Fee Schedule relative values and the Anesthesiology Relative Value Guide into the Medicare fee schedule. The Commission will study those relative values, both comparing them to resource based relative values and considering how the conversion factors would have to be modified to make them consistent with similar or related services that are in the Medicare fee schedule. The Commission plans to analyze alternative ways to link the scales and to recommend the appropriate links. Additionally, the Commission plans to identify and correct problems in current radiology relative values, particularly problems in determining the appropriate relationship between the global service and its professional and technical components for various radiology services.

The Commission will also continue its work to develop resource-based relative values for pathology services. That work includes comparing the relative values in the pathology fee schedule to be implemented by the Secretary in 1991 with resource-based values developed by Hsiao. The Commission also will continue its work on practice cost factors for pathology services.

Other Fee Schedule Issues

Payment Adjustments for Patient Frailty or Complexity. Because a fee schedule based on the work involved in caring for the "typical" patient may not be equitable to physicians who care primarily for the frail elderly or patients with multiple complex medical problems, the Commission plans to identify differences in work that merit increased payment. Analysis of this issue with regard to EM services will draw on data from the Hsiao study, the Commission's Visit Survey and the professional judgment of panels of physicians. If differences in visit patterns or intraoperative work are substantial, the Commission will explore the feasibility of approaches such as developing a "severity index" to modify global fees for surgery.

Payment for Limited License Practitioners (LLPs). In order to determine how the Medicare fee schedule should apply to payment for LLPs, the Commission plans several activities including: (1) convening advisory panels to learn more about the EM services provided by optometrists and podiatrists and to determine whether revised EM codes acurately describe the resource costs of their EM services; and (2) comparing surgical services provided by podiatrists, orthopedists and dermatologists using existing data on visit patterns associated with specific operations and data from the Commission's refinement process, as well as possibly developing estimates of relative work by podiatrists.

Payment to Non-physician Providers. In response to concerns raised by the Senate Committee on Appropriations and a Congressional mandate in OBRA 1989, the Commission will assess the implications of a resource-based fee schedule for physicians' services provided by non-physician practitioners (such as physician assistants and clinical psychologists) whose services can be billed to Medicare. The study will determine what the proper level of payment should be for these practitioners, whether volume performance standards should be used to determine fee updates and how updates would be set for services not included in the Medicare volume performance standard. The Commission will report its findings and recommendations to Congress on July 1, 1991.

Assistants at Surgery. The Commission is also required in OBRA 1989 to conduct a study of payment for assistants at surgery. In that study, it will examine the necessity and appropriateness of using an assistant at surgery, the use of physicians and non-physicians as assistants (including the effects of recent legislative provisions on the use of surgical assistants), when payment is appropriate and levels of payment. The Commission will report its findings and recommendations to Congress on April 1, 1991.

Practice Costs

During the next two years, the Commission plans to continue its work on developing a method to integrate the practice costs associated with physicians' services into the resource-based relative value scale. The Commission's 1990 report will present an overview of the Commission's approach, including a discussion of data collection efforts that are underway and alternative ways of using these data to estimate service-specific practice costs.

Other tasks on which the Commission will focus include issues related to overhead cost allocation and estimation of service-specific practice costs.

Overhead Cost Allocation. The Commission plans to investigate alternative methods of allocating certain types of overhead costs (e.g. office rent, and the costs of clerical personnel and general medical supplies) over various types of services provided in office and hospital settings. This investigation will identify methods commonly used by accountants and the extent to which they can be adopted for use by a government agency with access to data collected by HCFA.

Estimation of Service-Specific Practice Costs. Currently, the Commission is working directly with a large multispecialty group practice to test data collection methods for use in obtaining practice cost data. The data collected will be used to test and evaluate alternative methods of estimation, and collection methods will be refined for use at other practices. Data collection from other practices will continue to support work on the practice cost

estimation methodology.

The Commission also plans to investigate alternative methods for calculating the unit costs of various kinds of medical equipment that physicians lease or purchase. These costs may be sensitive to the volume of services provided and assumptions concerning capital depreciation.

Finally, the Commission will develop plans for practice cost extrapolation. This work will address whether extrapolation can be used to estimate practice costs of services for which practice cost data are not collected and will identify the "best" ways of estimation.

A number of special problems concerning practice costs have been raised before the Commission and will be studied in greater detail. Examples include the special problems posed by certain specialties (radiology and pathology) and the special costing problems in certain practice sites (e.g. cost differences in rural vs. urban areas, costing complexities in rural independent pathology labs and radiology practices).

The Commission plans to convene a panel of physicians, medical administrators, accountants and other experts to advise it on its analysis and development of recommendations. Findings from this work will be reported in the 1991 Commission report and the Commission's report on payment for practice expenses that was mandated in the recent payment reform legislation to be completed by July 1, 1991.

Payment of Physicians' Costs of Professional Liability Insurance

Incorporating malpractice premium costs into the Medicare fee schedule continues to be an issue of great importance to the Commission. The Commission has begun examining various options for reimbursing physicians for Medicare's share of their premiums and will continue this analysis in the coming year.

As mandated by Congress, the Commission will study the extent to which malpractice costs vary by geographic locality (region, state, MSA, carrier payment areas, etc.) and by specialty, and the extent to which available geographic practice cost indices accurately reflect malpractice costs in rural areas. Further, the Commission will analyze the effect of alternative methods of allocating malpractice expenses on Medicare expenditures by specialty, type of service, and geographic area. In this work, the Commission will draw on the expertise of an advisory panel comprised of physicians, representatives of the insurance industry, lawyers and researchers specializing in malpractice issues.

Geographic Payment Issues

The Commission's work on geographic payment issues will focus on two key issues.

Rural Practice Costs. The Commission will continue to study the extent to which available geographic practice cost indexes (GPCIs) accurately reflect practice costs in rural areas.

The Urban Institute and the Center for Health Economics Research have developed geographic indexes for HCFA to use in adjusting payments for physician services. The Commission wants to be certain of the accuracy and appropriateness of the HCFA GPCIs and especially whether they accurately reflect the differences in input prices between rural and urban areas. As mandated by Congress, the Commission will report the findings of this and other studies of payment for practice expenses by July 1, 1991.

As part of its investigation of this issue, the Commission held a hearing on rural practice costs last September. In the coming year, the Commission will pursue three related tasks. It will document the major themes and concerns with Medicare payment in rural areas identified by rural interest groups; it will analyze rural GPCIs and their sensitivity to alternative sources of data that could be used in their construction; and it will analyze urban and rural differences in patient caseload, capital equipment requirements and other factors related to geographic differences in physicians' fixed costs per service.

These activities will require computer analysis of several data bases including the PPRC 1988 Survey of Physicians, Urban Institute/CHER data on relative practice input prices by county, the American Medical Association's Socioeconomic Monitoring System surveys of physicians and data from the 1988 Health Resources and Services Administration's Sample Survey of Registered Nurses. Some analyses will be done in-house by PPRC staff; others will be done by contractors with special expertise in analyzing particular data bases.

Defining Payment Areas for the Fee Schedule. The Commission is studying the feasibility and desirability of using existing carrier charge localities, states, Metropolitan Statistical Areas or other areas as payment areas under the fee schedule. Following Congress' mandate, the Commission will submit its findings and recommendations to Congress by July 1, 1991. Four major conceptual and empirical tasks comprise the study. They are: specifying criteria for judging alternative area configurations, identifying the feasible payment area alternatives to be considered, developing data bases and evaluating the payment area alternatives.

Most of the Commission's efforts during the next year will involve data base development and analysis of alternative payment area configurations. A primary task will be computing a geographic cost of practice index (GPCI) for each payment area under

consideration. It is anticipated that this task will be a joint effort between the Commission and one or both of the private contractors who developed the GPCIs for HPCA.

The Commission will then compare Medicare fee schedule payments under alternative geographic payment area options. Among important aspects of the analysis will be an assessment of differences in payments in highly urbanized and rural areas in the same state and an assessment of differences in payments between bordering areas.

Beneficiary Issues

PPRC will continue to examine a variety of issues related to beneficiary financial protection, particularly issues of assignment and physician enrollment in the Participating Physician and Supplier (PAR) program.

Analyses of dat. from the PPRC Survey of Medicare Beneficiaries will focus on: (1) costs for assigned and unassigned care among different demographic groups; (2) the extent to which beneficiaries have been willing or able to discuss their bills with physicians, and the outcome of those discussions; and (3) the factors accounting for beneficiaries' willingness to seek out physicians who provide care on an assigned basis.

Continuing analyses of BMAD IV (Beneficiary File) will focus on a range of beneficiary issues related to assignment, participation and utilization of services. The first will explore the use of tracer services/procedures to measure baseline utilization rates among various Medicare populations (e.g., poor, rural, urban, frontier counties, blacks, whites) and to monitor access. Another will measure the current balance billing amounts/rates of various Medicare populations (e.g., poor, rural, urban, frontier counties, blacks, whites) and examine the potential of using balance bills as one indicator in monitoring access.

The PPRC staff are also examining the question of why the proportion of charges for services provided by PAR physicians has increased more rapidly than the number of physicians enrolled in the PAR program. These analyses will provide new information on beneficiaries' use of participating and nonparticipating physicians as well as some insight into the relationship of factors such as practice size and intensity to physician participation. In addition, staff will continue to review current research on participation.

Volume Performance Standards

OBRA 1989 (P.L. 101-239) sets out specific responsibilities for PPRC related to setting volume performance standards (VPSs) and for determining appropriate fee updates for physician payments. Each year, the Commission will be required to comment on the HHS

Secretary's recommendations for VPSs and updates and to make its own recommendations. To do this, the Commission will be required to conduct analyses of a number of factors affecting the volume of and expenditures for physician services, including inflation, changes in the number and age composition of Medicare beneficiaries, changes in technology, evidence of unnecessary utilization, evidence of lack of access to necessary services and other appropriate factors. In addition, PPRC is to comment annually on a report by the Secretary to the Congress on problems of beneficiary access to care and related utilization issues. PPRC is required, as part of this effort, to convene and consult a panel of physician experts to evaluate the implications of medical utilization patterns for the quality of and access to patient care.

To accomplish these tasks, the Commission staff will conduct a series of analyses using data from HCFA claims files, other HHS data sources and independent data sources. This will also involve extensive consultation with experts and the development of a formal process for updating and refining these measurements on an ongoing basis.

The Commission will also continue its analyses of options for refining the VPS approach to sub-national groups. Work will focus on how sub-national performance standards could be structured, what impact the targets are expected to have and how payment rates are to be calculated and updated. Plans also include using HCFA data to simulate the redistribution of payments to physicians and costs to beneficiaries that would have occurred if sub-national VPSs had been in place during the years 1986-1988. This will allow the Commission to evaluate options for defining sub-national standards in terms of the expected impact on physician behavior and the organizations that will facilitate positive changes in physician behavior.

Improving Clinical Care

The Commission will continue its work to stimulate research on effectiveness and outcomes of care and to encourage development of practice guidelines and other tools to apply this knowledge in physician practices and medical review. The Commission plans to monitor the activities of the newly created Agency for Health Care Policy and Research (AHCPR), medical societies and institutions, the research community and Medicare carriers and PROs in developing and applying new information on appropriate use of services. It will further assess the methods used to develop and update practice guidelines as well as examining the effectiveness of different methods for disseminating clinical information, assuring its use by physicians and integrating it into medical review.

The Commission also plans to continue to explore how best to structure medical review and quality improvement activities of the Medicare program so that they reinforce and facilitate the work of AHCPR, physician organizations and others to improve the quality

and efficiency of clinical practice. As part of that effort, PPRC will commission a series of papers and hold a conference to identify issues, share information and consider strategies to strengthen Medicare activities in this area.

Objective Criteria for Privileges or Competency

The Commission will explore the feasibility of developing objective criteria of competence for specifying eligibility to perform a procedure. Such criteria could be used to guide determinations of clinical privileges, the selection of a provider or eligibility for payment.

HMO Payment Issues

The Commission's work in this area will focus primarily on Medicare policy regarding payment to HMOs. The Commission plans to consult with the HMO industry on payment issues and to give further attention to improvements in the AAPCC used to determine payments to HMOs. Analysis will focus on adding available and widely accepted risk-adjusting factors to the current payment methodology to improve the accuracy of Medicare HMO payment. The Commission also will investigate barriers to group practices seeking Medicare risk contracts.

Private Sector Payment Issues

The Commission will undertake further analysis of physician payment by private sector insurance organizations. The Commission intends to increase its liaison with major private payer organizations, the business community and labor organizations and to begin analysis of differences between Medicare and other payers in terms of charge and payment levels. In addition, the responses of the private sector to Medicare physican payment reform will be documented and the implications of these responses will be examined.

Medicaid

By July 1, 1991, the Commission is to submit a report to Congress on physician fees under the Medicaid program that examines the adequacy of Medicaid physician reimbursement, physician participation in the program and access to care for program beneficiaries. To this end, the Commission has planned a series of activities to be completed in the coming year. These include:

Survey of State Medicaid Programs. Currently, there are no consistent and complete data available on Medicaid physician payment methodologies and fees across states. This information will be obtained from a PPRC survey of state Medicaid programs conducted for the Commission by the National Governors' Association

(MGA). The survey will collect information on: (1) actual fee levels in each state for several procedures commonly used by the Medicaid population; (2) total expenditures for the services examined; (3) how recently fees have been updated; (4) the composition of a number of surgical bundles; and (5) the distribution of the Medicaid case load among physicians.

Analysis of Effect of Fee Levels on Utilization and Expenditures. After merging the fee information for each state with HCFA data on state Medicaid utilization and expenditures, multivariate analyses will be conducted to estimate the impact across states of physician fee levels on total Medicaid utilization and spending as well as utilization and spending for different types of services. The analysis of these data will focus on how fee differences across settings result in the substitution of one type of service over another and how changes in physician fees might affect physicians' willingness to treat Medicaid beneficiaries. The survey will also provide information on states that have recently implemented major changes in physician fees (either across the board or selectively). Case studies can then be conducted to determine how fee changes appeared to affect access and expenditures.

Data Base Development

The Commission staff became highly regarded for its expertise in using BMAD data, and particularly in the construction of data bases for simulations of payment reform options. The staff has continued to deepen that expertise, as well as using an increasing number of other data sources in its analyses. In addition, the staff recently began to use the Medicaid 2082 data to analyze Medicaid payment issues. It is contemplated that the staff will use other Medicaid data in support of analytical work in that area.

ESTIMATE FOR FISCAL YEAR 1991

The Commission requests $3.871 million for Fiscal Year 1991. This level would maintain a staff of 26 and provide the resources to support their work, cover the expenses of Commission meetings and other activities involving Commissioners and permit funding of grants and contracts for analyses and data development to supplement the work of the staff. The appropriation request for FY 91 represents an increase of $65,000 over the FY 90 appropriation level of $3.806 million. The additional funds are required primarily to cover the annual costs of fully staffing the Commission, increased demand for computer services to support policy simulations and increased printing and reproduction costs associated with growing demand for Commission analyses and publications.

Funds are expended in two major categories:

Administration and Management
Policy Analysis and Data Development

Most of the Commission's expenditures fall into the Administration and Management category, which accounts for $2.810 million. The remaining $1.061 million for Policy Analysis and Data Development will be used to fund organizations and experts to conduct work more effectively done outside of the Commission staff.

Administration and Management ($2.810 million)

This category includes funds required for: payment of travel expenses and compensation to Commissioners for their Commission-related work; salary and benefits for 26 full time equivalent staff positions for FY 91; expenses associated with facilities, supplies, equipment and travel of staff and consultants; activities and services related to communication with Congress, interest groups and the public including publication and extensive distribution of reports and staff analyses, press and Congressional briefings, mailings to interest groups to obtain their views on issues before the Commission and dissemination of information about the work and meetings of the Commission; expenses related to holding Commission meetings; use of programming and mainframe computer services to support the analytic work of the staff; and other administrative expenses associated with carrying out the work of the Commission.[3]

Funds for staffing and for mainframe computer services continue to comprise the major portion of the proposed budget for this category. The Commission has recruited a highly trained and motivated staff that has been productive beyond what its size might suggest because of its expertise and commitment to high quality and timely work. The Commission's ability to maintain its effectiveness in responding to Congressional mandates requires the continuation of the staffing plan it has developed over the past few years.

The scope of the Commission's analytic work requiring computer and programming services has increased each year primarily for two reasons. First, there has been a growing need for data analysis, whether it be the use of large BMAD data files to conduct simulations of policy options or the analysis of smaller data sets,

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[3] In response to the request by the Committee on Appropriations of the House of Representatives in the report accompanying H.R. 2990, PPRC and ProPAC jointly examined the feasibility and desirability of consolidating some or all of their administrative operations. A report on the conclusions of that assessment was forwarded to the chairmen of the Appropriations Committees and their Subcommittees on Labor, Health and Human Services, and Education on January 16, 1990.

including Commission surveys of physicians and beneficiaries, to provide the information for formulating those options. Second, as the need for such analytic work has increased, the Commission has recruited additional staff with expertise in data analysis. Given the need for analytic work to support the Commission's role in refining and updating the fee schedule and volume performance standards, adequate funds for computer services will continue to be a priority in the Commission's budget request.

The budget items in this category are summarized below:

Administration and Management	FY 91 (in $ thousands)
Full time staff salaries	1,200
Other than full time staff salaries	128
Benefits	266
Travel (Commrs. 73; Staff 32; Others 20)	125
Standard level user charges	140
Communications, utilities and other rent	65
Computer and programming services	545
Printing and reproduction	80
Other services	198
Supplies and materials	40
Equipment and office furnishings	23
TOTAL	2,810

Policy Analysis and Data Development ($1.061 million)

The funds in this category will be used for grants and contracts to expand the Commission's data base and to support analysis that augments the work of Commission staff and strengthens the basis for Commission recommendations. The Commission uses outside contractors for large-scale survey work and also in cases where 1) conducting analyses internally would be more costly and time consuming than building on existing work, 2) where needed data would only become available to the staff under contract with outside groups, or 3) where the technical expertise does not exist within the staff.

Projects funded under this category will support the work on many issues described in the work plan above. Certain projects will support work the Commission plans to complete on the Medicare fee schedule for its implementation in 1992. These include:

- conducting surveys or gathering additional information to be used in the refinement of the relative value scale for the fee schedule;

- gathering data to estimate practice costs of physicians' services from additional group practices and contracting with accounting experts to assist in data collection and cost estimation;

- convening a conference on malpractice payment issues relevant to Medicare physician payment policy; and

- gathering data on the relative work involved in providing services by limited license practitioners and convening advisory panels to assist the Commission in determining payment for LLPs under the fee schedule.

The Commission will also draw on outside resources as it looks beyond development of the initial Medicare fee schedule to further adjustments and refinements that will increase its accuracy and reflect changes that occur over time. The types of outside work planned include:

- analyzing relevant data bases to develop severity adjustments to modify fees for specific services provided to the frail elderly or patients with complex problems;

- conducting studies of the diffusion and cost of new technologies used by physicians to provide the Commission with information upon which to base decisions on changes in the coding and relative values of services and on setting fee updates; and

- analyzing options for addressing issues in tort reform raised before the Commission as it has considered payment options for malpractice premium expenses.

The Commission also will continue to place a high priority on issues related to beneficiary access and financial protection. It will use outside contracts to gather additional information -- through follow-up surveys, convening advisory panels or other means of eliciting information from beneficiaries -- on issues raised in the analysis of data from the Commission's earlier survey or brought to its attention by beneficiary groups.

In its work on both the fee schedule and beneficiary issues, the Commission will continue to augment its staff work through contracts for assistance in convening consensus panels, advisory panels and focus groups to work on refining the scale of relative work, developing methods for estimating practice costs and integrating them into the relative value scale and addressing specific questions related to beneficiary access and financial protection.

The Commission is required to comment on the Secretary's recommendations regarding the setting of annual volume performance standards and the updating of physician fees. The Commission has identified several specific projects that will provide the staff with information that will increase its understanding of the factors to be taken into account in developing the Commission's response to the Secretary's recommendations. These include:

- evaluating the impact of the OBRA 1987 overpriced procedure reductions on volume of services, beneficiary financial liability and access to services;

- conducting case studies of areas with high and low service utilization to understand what accounts for differences in volume per enrollee;

- studying approaches to profiling physicians' services that are being used in Canada and Western Europe, analyzing available profiling methods and developing approaches that could be used in the Medicare program; and

- reviewing available data and methods for monitoring access to care, developing methods and identifying additional data needs to monitor beneficiary access to physician services under the Medicare (and Medicaid) program.

Finally, as part of its work on physician payment under the Medicaid program, the Commission anticipates contracting with outside experts to conduct case studies to determine the effects of changes that have been made in state Medicaid payments on access and expenditures.

PHYSICIAN PAYMENT REVIEW COMMISSION

Estimated Obligations for Consulting Services

(in thousands of dollars)

1989	1990	1991
$ 15	$ 23	$ 23

The Commission requests a modest amount of funds to provide for the services of outside experts. These funds will be used to compensate resource people outside of the Commission who have specialized medical knowledge and technical expertise in areas otherwise unavailable to the staff. These experts must work closely with Commission staff on an intermittent basis over short periods of time to provide input into ongoing efforts of the Commission, rather than being responsible for delivery of a specific product.

PHYSICIAN PAYMENT REVIEW COMMISSION

Estimated Obligations for Related Services

	1990	1991
GSA	$ 38,000	$ 38,500
Other Contracts	$150,000	$160,000

This category includes funds for a contract with the General Services Administration (GSA) for specific administrative functions required by the Commission including: personnel and payroll processing, budget and accounting support, and facility management and procurement matters. Given the statutory limit on the size of the Commission staff, the Commission is able to make more efficient use of its resources by using an organization like the General Services Administration which has the established capability to provide these services to small Executive and Congressional agencies.

Other funds under this category are required for a variety of contracted services. These include arrangements for large conference rooms needed for the Commission's public meetings and related meeting support services; meeting transcripts; hearings and other presentations to the members of the Commission; editorial services related to the publication of the Commission's annual report and other documents; staff training in the area of computer operations and software applications; and a variety of other related subcontractual services that could not be accomplished by the Commission staff.

PHYSICIAN PAYMENT REVIEW COMMISSION

SALARIES AND EXPENSES

DETAIL OF PERMANENT POSITIONS[1]

93-1000-1-1-801

	1990 Estimate	1991 Estimate
Executive Level	3	3
GS/GM - 15	1	1
GS/GM - 14	7	7
GS/GM 12 - 13	1	1
GS - 9 - 11	9	9
GS - 6 - 8	5	5
Total number of fulltime permanent positions.....	26	26
Total compensable work years fulltime equivalent employment.	25	26

[1] This schedule is for comparison purposes only, as the Commission does not use the formal government system of grading salaries. Each salary is negotiated indivdually. The statute requires that Commissioners be paid for the time which they devote to Commission business. The work value of that time for the thirteen (13) Commissioners is equivalent to two (2.0) FTEs.

PHYSICIAN PAYMENT REVIEW COMMISSION

ACCOUNT	1988 Appropriation	1989 Appropriation	1990 Request	1990 Appropriation	1991 Request
	$2,997,000	$2,897,000	$3,722,000	$3,806,000	$3,871,000
PPRC CARRYOVER	127,000	n/a[1]	n/a	n/a	n/a
TOTAL	$3,124,000	$2,897,000	---	$3,806,000	---

[1] Carryover authority allowed during first two years of operation only (1987-1988).

PHYSICIAN PAYMENT REVIEW COMMISSION

SALARIES AND EXPENSES

Object Classification (in thousands of dollars)

95-1000-1-1-801

		1990 Estimate	1991 Estimate
	Personnel Compensation:		
11.1	Fulltime permanent	$1157	$1200
11.3	Other than fulltime permanent	123	128
11.9	Total personnel compensation	1280	1328
12.1	Personnel benefits: Civilian	256	266
21.0	Travel and Transport of Things	120	125
23.1	Standard level user charges	135	140
23.2	Communications, utilities, and other rent	587	610
24.0	Printing and reproduction	65	80
25.0	Other services	1303	1259
26.0	Supplies and Materials	38	40
31.0	Equipment	22	23
99.9	TOTAL OBLIGATIONS	$3806	$3871

TUESDAY, APRIL 3, 1990.

PROSPECTIVE PAYMENT ASSESSMENT COMMISSION

WITNESSES

SANKEY V. WILLIAMS, M.D., MEMBER
DONALD A. YOUNG, M.D., EXECUTIVE DIRECTOR

Mr. STOKES. Mr. Williams, would you tell us who you have with you, and then proceed with your opening statement?

Dr. WILLIAMS. I am accompanied by Dr. Donald A. Young, the Commission's Executive Director.

As you know, the Commission was created in 1983 as part of the law that established the Medicare Prospective Payment System, or PPS. We are charged with recommending updates for this system through reports to the Congress and the Department of Health and Human Services. The 17 commissioners are experts in health delivery, financing and research. The commissioners are appointed by the Director of the Congressional Office of Technology Assessment.

The work of the Commission is supported by an executive director and a staff of up to 25 people. We conduct our meetings in public and encourage public input in the decision making.

In the six years since ProPAC began, the Commission has brought to the attention of Congress and the Secretary of Health and Human Services the problems it believes would compromise the effective delivery of high-quality hospital care to Medicare beneficiaries.

In some cases, the Secretary has accepted our recommendations, and in other cases the Congress has legislated changes. We believe that continuing adjustments are necessary to assure that PPS is responsive to changing medical practices.

Our most recent report delivered to the Secretary on March 1 contains additional recommendations for improving PPS. In November of each year, we also submit a report to Congress which includes our review of the Secretary's response to our recommendations.

In the early years of PPS, the Commission focused primarily on technical issues. We believe, however, that as the system matures, it is important to examine the impact of PPS on Medicare beneficiaries, hospitals, and the American health care system generally. Our yearly report to you on these important subjects was originally mandated by this subcommittee. This year's report will be delivered in June.

As you know, since PPS began, the rate of increase in Medicare spending for in-patient hospital services has moderated. Much of this decline in spending has resulted from decreases in hospital admissions. In addition, Medicare payments per admission have risen more slowly after adjusting for inflation.

PPS PAYMENTS AND COSTS

While hospitals did well financially in the early years of PPS, more recent experience has been less favorable because of rising costs and constrained payments. The Commission is concerned that hospitals have not continued to control their costs as well as they did in the first year of PPS, when PPS costs per case increased only about two-and-a-half percent. Since then, costs per case have increased about 10 percent a year.

It's important to recognize that hospital payments increase each year for two reasons: Hospital payments increase because of annual updates that are designed to offset the effects of inflation and other adjustments; also, payments automatically increase when the mix of patients is more complex.

Since PPS began, the reported case mix has increased dramatically. As a result, during the first five years of PPS, payments per case increased about four times faster than the annual update factor.

While PPS was never intended to match payments directly with costs, we monitor hospitals' PPS margins, which are defined as PPS operating revenues in excess of Medicare operating costs. In the early years of PPS, hospitals had large PPS margins because payments were much greater than costs.

More recently, however, PPS margins have declined. Our latest estimates suggest that average PPS margins fell to zero in 1989, and have decreased even further this year. Payments have risen slightly faster than the rate of inflation, but costs have risen at twice the level of inflation.

We also have compared margins for different types of hospitals. The Commission is concerned about the considerable variability in margins across types of hospitals. PPS includes adjustments that are intended to account for cost variations that are beyond hospital control. However, some factors that affect costs cannot be measured, and other measures are not fully understood. We need to understand better why some hospitals have done well under PPS while others have not.

PROPAC REPORTS

In addition to the reports we annually submit in March and June, Congress has asked that we examine and report on other specific topics. In May, we will report to you about Medicare payments to rural hospitals. This report will examine the possibility of using a cost-based reimbursement system to pay small rural hospitals and small community hospitals. It also will examine methods for adjusting payments for declining occupancy in small rural hospitals.

The Congress has asked us to report in June on the appropriateness of adjusting payments made to hospitals that serve a high proportion of Medicare patients. The Commission will submit a report in July that examines the growth and spending for hospital out-patient services. This report will examine differences in costs between hospital out-patient departments and other ambulatory care facilities. By March of 1991, the Commission will report to Congress on alternative methods for paying hospitals for out-patient services.

Other studies that have been requested by the Congress include our analysis of the Secretary's legislative proposal to eliminate the differential between the urban and rural standardized amounts, and studies that relate to payments for the care of people with hemophilia, payments to non-physician providers, and the financial status of hospitals with complex case mixes.

APPROPRIATIONS REQUEST

Let me turn now to our fiscal year 1991 appropriations request. We are proposing for fiscal year 1991 a budget of $4,073,000. This represents an increase of about 5 percent of over our fiscal year 1990 budget of $3,869,000.

Our funds are expended in two major categories: First is administration and management, and the second is data development, analysis and research. We are requesting $2,823,000 for administration and management. This category includes payment of the Commissioners for travel and time spent on Commission business, and the payment of salary and benefits for the Commission staff.

It would also include payment for facilities, supplies, equipment, and travel for the staff; for publications and other communications with the public; for expenses associated with open public meetings; and for other administrative expenses. Computer usage is one of the large items included in this last category.

We also request $1,250,000 for extramural data development, analysis and research. These funds are spent through grants and contracts with organizations and individuals outside ProPAC. Because we wish to base our decision making on the best and most recent information, access to outside expertise is required. This category of funding provides for that excellence.

Our extramural data development and research budget for 1985 through 1990 is attached to our budget justification. In the attachment, we describe the projects that we have completed, those are ongoing, and those that are under consideration.

You will note that our extramural research budget remained at $1,000,000 for three years. We requested an additional amount for fiscal year 1988, and brought the total to $1,250,000. Due to the deficit reduction agreement, this amount was reduced to $1,146,000. Our 1989 and 1990 budgets contain similar amounts. For fiscal year 1991, we once again are requesting $1,250,000.

That completes my formal statement. I will be happy to answer questions.

[The prepared statment follows:]

Mr. Chairman, I am Dr. Sankey Williams, a member of the Prospective Payment Assessment Commission, and the Chairman of its Subcommittee on Data Development and Research. I am pleased to represent the ProPAC Commissioners today, and to present ProPAC's budget and appropriation request for fiscal year 1991. I am accompanied by Donald A. Young, M.D., the Commission's Executive Director.

As you know, the Commission was created in 1983, as part of the law which established the Medicare prospective payment system (PPS). We are charged with maintaining and updating this hospital payment system through reports and recommendations to the Congress and the Department of Health and Human Services. The 17 Commissioners are experts in health services delivery, financing and research. Commissioners are appointed by the Director of the Congressional Office of Technology Assessment. The work of the Commission is supported by an Executive Director and a staff of up to 25 people. The Commission conducts its work through open public meetings, and has adopted procedures to encourage maximum public involvement in decision-making. Issues and information are usually considered by a subcommittee and then brought to the attention of the full Commission.

Recent Commission Activities

In the six years since ProPAC began its work, we have examined policy issues which are critical to the proper functioning of the

Medicare prospective payment system. The Commission has brought to the attention of the Congress and the Secretary of Health and Human Services problems that it believes would compromise access to the effective delivery of high quality hospital care to Medicare beneficiaries.

In some cases the Secretary has accepted our recommendations for improvements to PPS. In a number of other important areas the Congress has legislated necessary changes. We believe that continuing adjustments are necessary to assure that PPS is responsive to constantly changing medical practice. Our most recent report, delivered to the Secretary March 1, 1990, contains a number of recommendations for improving PPS.

In November each year we also submit a report to Congress which includes our reviews on the Secretary's response to our recommendations. We also comment on other regulatory adjustments to PPS made by the Secretary.

In the early years of PPS, the Commission focused primarily on technical issues related to the design, implementation and updating of the new payment system. ProPAC believes, however, that as the system matures, it is extremely important to evaluate the impact of PPS on the rapidly changing American health care system. Thus, the Commission is currently devoting a significant portion of its resources to examining the impacts of

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PPS on Medicare beneficiaries, hospitals and the American health care system generally. Our report to you on these important subjects, Medicare Prospective Payment and the American Health Care System, was originally mandated by this subcommittee. This year's report will be delivered in June 1990.

PPS Performance

As you know, Mr. Chairman, Medicare PPS was intended to control expenditures by giving hospitals financial incentives to improve efficiency and productivity in the delivery of services to Medicare beneficiaries. And indeed, since PPS began, the rate of increase in the Medicare spending for inpatient hospital services has moderated. Much of this decline in spending has resulted from decreases in hospital admissions. In addition, after adjusting for inflation, Medicare payments per admission have risen more slowly since PPS than before.

While hospitals did well financially in the early years of PPS, more recent experience has been less favorable. The financial pressure facing hospitals is due to continued large increases in hospitals' costs and to constrained Medicare payments.

The Commission is concerned that hospitals have not continued to control their costs as well as they did in the first year of PPS. In the first year of PPS costs per case increased only about 2.5

percent. Since then, however, costs per case have increased about 10 percent a year.

On the hospital revenue side, it's important to recognize that hospital payments increase both because of annual updates and because of changes in the reported mix of patients across DRGs. As you know, payments automatically increase as the reported mix of patients across DRGs becomes more complex. Since PPS began, the reported case mix has increased dramatically thereby contributing to the increase in payments. Thus, over the first five years of PPS, payments per case increased about four times faster than the annual update factor.

While PPS was never intended to match payments directly with costs, there is much to be learned from the Commission's monitoring of hospital financial condition under PPS. As an indication of financial condition, we typically look at hospital PPS operating margins -- PPS operating revenues in excess of Medicare operating costs.

In the early years of PPS, hospitals experienced large PPS margins, because PPS payments were in excess of costs. More recently, however, PPS margins have declined. Our latest estimates suggest that average PPS margins fell to zero or below in 1989 and have decreased even further this year. This is because payments have been rising slightly faster than the rate

of inflation, yet costs have increased at twice the rate of inflation.

We have also compared margins across different types of hospitals. The Commission is very concerned by the considerable variability in margins across hospitals. We believe that the wide variability of hospital financial performance suggests there are significant areas in which further improvement in the PPS system are required.

PPS contains a number of adjustments which are intended to account for variations in costs that are beyond hospitals' control. However, factors that affect costs cannot be readily measured, and other sources of cost variation may not yet be adequately understood. We need to better understand the sources of variation in financial performance and the reasons that some hospitals have done well under PPS while others have not. Many of the recommendations in our March 1, 1990 report are intended to improve the policies that adjust for variations in hospital costs. We have several other studies underway to address these issues and we will be recommending changes to you and to the Secretary where appropriate.

Other Reports to Congress

In addition to the reports we annually submit in March, June and November the Congress periodically requests that we examine and

report on other specific topics. In May 1990, we will be submitting a report to you concerning Medicare payments to rural sole community hospitals and small rural hospitals. This report will examine the feasibility and desirability of using a cost-based reimbursement system to determine the amount of payments to be made to small rural hospitals and sole community hospitals. It will also consider methods for adjusting for declining occupancy in small rural hospitals.

The Congress has also asked us to examine and report in June 1990 on the special problems facing hospitals that serve a high proportion of Medicare patients. The Commission has been asked to consider the appropriateness of adjusting the payments made to these Medicare dependent hospitals.

The Commission also is required to submit a report in July 1990 that examines the source of growth in spending for hospital outpatient services. This report will also examine the differences between costs of delivering services in a hospital outpatient department as opposed to providing services in other appropriate settings.

By March 1, 1991, the Commission is required to report to Congress on alternative methods for reimbursing hospitals for services in outpatient departments under the Medicare program.

We have also been asked to report to the Congress our analysis of a legislative proposal that will be submitted by the Secretary to eliminate the differential in the urban and rural standardized amounts. Other studies that have been requested by the Congress relate to payments for the care of people with hemophilia, the impact on hospital finances of payments to non-physician health providers, and the financial status of high case-mix hospitals.

Fiscal Year 1991 Appropriations Request

Let me turn now, Mr. Chairman, to our fiscal year 1991 budget and appropriations request. We are proposing a FY 1991 budget of $4,073,000. This represents an increase of about five percent over our fiscal year 1990 budget of $3,869.000.

Our funds are expended in two major categories: Administration and Management and Data Development, Analysis and Research. I would like to describe the resources required to support activities in each of these categories.

Administration and Management ($2.823 million)

This category includes funding necessary for payment of Commissioners for travel and time spent on Commission business; for salary and benefits for the Commission's staff; for facilities, supplies, equipment, and travel for the staff; for communications with the public, including maintenance of an extensive mailing list, publication of three major annual

reports, additional reports requested by Congress, and a series of technical reports; expenses associated with open public meetings of the Commission and its subcommittees; and for other administrative expenses associated with facilitating the work of the Commission. Computer services required to support ProPAC staff analyses are one of the large items included in this latter category.

Data Development, Analysis, and Research ($1.250 million)

This category represents funds from the proposed budget which are spent through grants and contracts with organizations and individuals outside ProPAC. We believe that an important Commission role is to identify, define, and develop solutions for problems in the prospective payment system. Another important role is to study the extensive changes underway in the American health care system, and the impacts of PPS and other changes on health care delivery and financing. Because we wish to base our decision-making on the best, most recent and thorough data and information possible, a strong analytic commitment is required. Analysis and data development which cannot be completed internally by the Commission's staff is thus included in this category of funding.

Our extramural data development and research budget and agenda for 1985-1990 is attached to our budget justification. In the

attachment we describe the projects that have been completed, those that are ongoing, and those that are under consideration.

You will note, Mr. Chairman, that our extramural research budget remained constant at $1 million for three years. We requested an additional $250,000 for FY 1988. Due to the deficit reduction agreement, this amount was reduced to $1,146,000 for FY 1988. Our 1989 and 1990 budgets requested about this same amount. We are requesting $1,250,000 for FY 1991.

Mr. Chairman, this completes my formal statement. I would be pleased to answer any questions which you or members of the subcommittee may have.

Mr. STOKES. Thank you very much, Dr. Williams, for your statement.

Dr. Williams, the Commission reports to Congress on the impact of the Prospective Payment System on American health care. Tell us briefly your assessment of this payment system now that it is nearly six years old.

Dr. WILLIAMS. It's difficult to be certain what is cause and effect, but we have observed a moderation in the long-standing increase in hospital costs that seems likely due in part to the PPS system.

There have been other major changes in the hospital delivery system. One of the most important of those is a shift in the number of services from the in-patient side to the out-patient side. That shift is really profound, with consequences we're not fully aware of yet.

So, in general, I think the system has contributed to the moderation in rising costs, which was the principal reason for its inception.

HOSPITAL MARGINS

Mr. STOKES. Doctor, given your findings of decreasing hospital margins, what is your view of the Administration's proposal to reduce hospital payments by almost $4,000,000,000 in 1991?

Dr. WILLIAMS. It's important to think about PPS margins and total margins. I talked earlier about PPS margins, which are PPS revenues minus costs divided by revenues which went to zero last year, and probably have gone below zero this year.

Total margins are a different issue. And total margins include revenues and costs related to other patients besides PPS. And there's also revenue that comes from non-patient care activities. Total margins are not at zero, and are not going below zero, on the average.

Hospitals are in difficult times these days, and I think we're all very concerned about what's going on. We don't know why some hospitals are making lots of money, and other hospitals are losing money. It's a time for careful examination and thoughtful legislation.

We are worried about hospitals, especially some vulnerable hospitals. Teaching hospitals are one example, and rural hospitals are another example. I don't think I have any other comments.

PROPAC RECOMMENDATIONS

Mr. STOKES. Doctor, describe your recommendations for 1991 payment increases for rural and urban hospitals, and how does this compare to the Administration's proposal?

Dr. WILLIAMS. The President has proposed an update factor of 4.1 percent, which is his current market basket estimate of 5.6 percent minus 1.5 percent. ProPAC recommends an average update factor of 4.9 percent, which is our current market basket estimate of 5.4 percent minus 0.5 percent.

The President has not indicated yet how he will distribute that update among urban and rural hospitals. ProPAC has recommended an update for rural hospitals of 7 percent, and an update for urban hospitals at 4.5 percent.

Mr. STOKES. How many of the 17 recommendations from your March, 1989 report were adopted?

Dr. WILLIAMS. I'll have to refer to Dr. Young.

Dr. YOUNG. That report went to the Secretary March 1. The Secretary is required to publish a notice of proposed rule making by May 1, in which he addresses those recommendations. So, that rule making is still being developed by the Department. We do not know yet how many of the recommendations for 1991 will be adopted.

If one looks at the past, approximately half of the recommendations or slightly more have been accepted by the Secretary, and an additional number have been accepted by the Secretary in part, and an additional number on top of that has been legislated by the Congress when the Secretary has rejected them.

On average, I would guess, a quarter of the recommendations over time have not been either legislated or adopted by the Secretary, and three-quarters have been either legislated or adopted by the Secretary, at least in part.

Mr. STOKES. Has Congress directed you to produce any special one-time reports in 1991?

Dr. WILLIAMS. Yes. One is looking at the hospitals that have a high percentage of Medicare patients who have indicated that they have special financial problems. A second one deals with growing expenditures in the out-patient department.

We will have a report in July on the growth in spending in the out-patient department, an initiative that was added by the Congress about two-and-a-half years ago.

A third one is to look at an alternative payment mechanism for out-patient hospital payments to attempt to constrain the rate of increase in the spending. And then there are a number of other topics that the Congress has asked us to deal with as part of our existing reports.

RESEARCH PROJECTS

Mr. STOKES. Okay. What planning process does the Commission use to establish research priorities, aside from those mandated by the Congress?

Dr. WILLIAMS. There are three subcommittees in the Commission. I'm the chairman of the subcommittee on Data Development and Research. And our subcommittee is charged with that planning process.

We meet at each of the Commission meetings and discuss ongoing projects and talk about what data is needed for future research efforts. As part of that process, we invite experts to some of our Commission meetings to talk about topics that we are considering as major research projects, and we do that on a periodic basis.

Mr. STOKES. Doctor, what proportion of your major work products are contracted out rather than generated in-house?

Dr. WILLIAMS. It's difficult to be precise about that. If you looked at that budgetary amount—I should probably let Dr. Young take care of this.

Mr. STOKES. Dr. Young?

Dr. YOUNG. It is difficult to cost account that. In terms of our work products, about half of our resources go into what we call technical issues, our March and November reports, and half into the June report on the impact of PPS.

Any one research process, whether intramural or extramural, frequently contributes to both sides of the house, so that we learn about technical issues related to PPS, but we also learn of impacts.

For example, last year, we contracted out for a study that looked at access to care for beneficiaries living in rural areas. The information we learned from that was very valuable in our June report. But it also was helpful to us in developing our recommendations for the March report, and in for preparing our testimony for the House Ways and Means and for the Senate Finance Committee.

So, that was one good example of one research project that is used in a variety of products, including Congressional testimony.

Mr. STOKES. Doctor, your 1990 appropriation was increased above your original request to reimburse the Commission for research funds transferred to the Prescription Drug Commission. How did you allocate this additional funding?

Dr. YOUNG. First, the reduction in 1989 that led to the transfer came about as a result of deferring obligations, both research obligations and delaying the hiring of staff to fill vacant positions.

In the 1990 revised budget request, which we submitted to you in January, I had actual 1989 obligations to use as a guide. In 1989, the research spending was $1,089,000. Part of the $125,000 transfer, therefore, was used to increase the spending by $86,000 to return to a level of $1,175,000.

In addition, from the time I submitted our original budget request until January of this year, we learned that our benefit obligations would increase $74,000 reflecting the requirements of FERS and the legislative changes that change the status of ProPAC employees.

And finally, I had to adjust the 1990 budget to reflect the Gramm-Rudman sequestration which occurred last year, and reduced the overall amount available for spending.

Had the transfer of funds not occurred, the revised 1990 budget would have had to reduce research spending to approximately the 1989 level to make up the portion of the Gramm-Rudman sequestration as well as the additional expenses with which I was faced.

COMPUTER SERVICES

Mr. STOKES. Doctor, your 1991 administration and management budget includes $430,000 for computer services, with an additional $300,000 for computer support services in the research budget.

What is the difference between these two line items?

Dr. YOUNG. The line item for mainframe computer support services is for actual mainframe computer use time, CPU time, which we contract for with the House Information Systems of the House of Representatives.

The other item is in the extramural research category, and that is for a contractor to do all of the software development for the multiple analysis which we do. Virtually all of that work, both the software development and the mainframe time, is in support of in-

tramural analyses done by the full-time ProPAC staff. We have a very large and complex data base that we have become increasingly sophisticated in knowing how to use.

In addition, we have expanded the data base, now—for the first time, we have now what we call a "Linked A-B Data Base." We can look at expenditures and services furnished to a single Medicare beneficiary over a period of time. All of the encounters, or a sample of all of the encounters that the beneficiary has—all of that kind of research comes about from the mainframe computer at HIS as well as the software to run that mainframe from the extramural contracting budget.

Mr. STOKES. You use a different computer mainframe than the Physician Payment Review Commission. What alternative computer systems have you considered, and how frequently do you reevaluate your automation needs?

Dr. YOUNG. We are constantly looking at our automation needs. We requested proposals from the House Information System, the NIH computer and some commercial computers, and found that the work done by the HIS best met our needs. It was of high-quality. And on a financial basis, it was competitive with all the other computer services available to the Government, and significantly cheaper than computer services available from commercial groups. So, we have been very pleased with the results which we have gotten from HIS.

In addition over time, the HIS has reduced their charges to us because we learned how to use the mainframe efficiently. We use it by batch processing. We use it overnight rather than during the day, and we feel that we've gotten a very good deal from HIS.

When we compared alternative computers, we found that none of them can match the price or the quality of the service given to us by HIS.

SALARY EXPENSES

Mr. STOKES. Doctor, do the increased pay levels in last fall's ethics bill have any direct or indirect effect on your salary expenses?

Dr. YOUNG. They have a very minor effect in that the salary ceiling was raised by those limits. We are , however, subject to the personnel rules of the United States Senate, not those of the House of Representatives, and the Senate chose, as you are aware, to increase its salary limits to a much lesser extent than the House of Representatives did.

So, for the individuals on staff who had reached the ceiling, they have the capability of increasing their salaries somewhat. That's a very small number of people.

Mr. STOKES. Dr. Williams, what sort of relationship do you expect to have with the new Agency for Health Care Policy Research?

Dr. WILLIAMS. That's not a subject that we have discussed as a Commission, so there's no formal understanding about that. I personally have been involved with the agency when it was the National Center for Health Services Research, and would certainly

welcome the sort of interactions that were mutually productive. But we have not discussed that.

As far as I know, we have no plans to discuss that.

Mr. STOKES. All right. Dr. Williams, Dr. Young, we will have some additional questions to submit to you on behalf of Chairman Natcher, and the other members of the subcommittee, I am sure, will also have some additional questions to submit to you for the record.

On behalf of our subcommittee, I would like to express our appreciation for your appearance here and the excellent hearing we've had. Thank you very much.

This committee is adjourned until 10:00 a.m. tomorrow morning.

[The following questions were submitted to be answered for the record and the justifications follow:]

SPACE

Mr. Natcher: How does your square foot of office space per employee usage compare to the 135 square feet standard government-wide?

Dr. Young: We currently are using somewhat more than 135 square feet per employee. This is due in part to the need to maintain a conference room and meeting space for our frequent visitors. It is also necessary to maintain a reception area. We also encourage an internship program and space is necessary for interns. Space is also necessary for storage of our various reports.

MEETINGS

Mr. Natcher: How often do your three subcommittees meet? Do their meetings coincide with full commission meetings?

Dr. Williams: The subcommittees meet from three to six times a year. Their meetings are always in conjunction with a meeting of the full commission.

Mr. Natcher: Do you make extensive use of consensus panels, as the Physician Payment Review Commission does?

Dr. Williams: No, we do not use consensus panels. We do, however, invite expert panels to provide their views on various topics to the Commission.

RESEARCH ACTIVITIES

Mr. Natcher: What share of your 1991 research activities will involve outpatient hospital services and payments?

Dr. Williams: I estimate that we will spend between 10 and 20 percent of research funds on outpatient hospital services and payments.

Mr. Natcher: Are most of your extramural research projects one year in length, or does your budget include continuation costs of multi-year projects?

Dr. Williams: Approximately 2/3 of our budget is spent on single year projects. The remainder of the budget is for projects up to two

years. We infrequently fund projects longer than two years.

COMPUTER SERVICES

Mr. Natcher: Identify Commission expenditures for computer services for 1987-1991.

Dr. Williams: Spending for computer services includes the use of the House Information Systems Mainframe Computer and the development of software necessary to use the computer. The actual or planned obligations for each of the items is tabulated below. The low level of obligations for 1987 reflect the use of funds which had been obligated in 1986.

	Mainframe Computer	Software Development
1987	$318,520	$35,000
1988	$404,000	$227,554
1989	$339,000	$285,667
1990	$430,000	$300,000
1991	$450,000	$330,000

COMMISSION MEMBERS

Mr. Natcher: List the members of the Commission, their salaries and professional affiliation.

Dr. Young: The following information is for fiscal year 1989, the most recent complete fiscal year.

Stuart H. Altman - 318 hours billed services - $11,849
Dean, Florence Heller School, Brandeis University
Waltham, Massachusetts

Richard A. Berman - 0 hours billed services - 0
Special Consultant, McKinsey and Company
New York, New York

Curtis C. Erickson - 236 hours billed services - $8,793
President and CEO, Great Plains Health Alliance, Inc.
Phillipsburg, Kansas

William Fullerton - 194 hours billed services - $7,228
Adjunct Professor, School of Medicine, U. of NC
Crystal River, FL

William S. Hoffman - 0 hours billed services - 0
Director, Social Security Department, International Union, UAW, Detroit, MI

Kristine Johnson - 112 hours billed services - $4,173
Vice President and General Manager, Medtronic, Inc.
Minneapolis, MN

Sheldon King - 148 hours billed services - $5,514
President, Cedars Sinai Medical Center
Los Angeles, CA

Barbara McNeil - 140 hours billed services - $5,214
Head, Department of Health Care Policy, Harvard Medical School, Boston, Mass.

Kathryn Mershon - 140 hours billed services - $5,216
Sr. Vice President, Humana, Inc.
Louisville, KY

Eric Munoz - 118 hours billed services - $4,397
Medical Director, University of Medicine and Dentistry of New Jersey, Newark, NJ

Leonard Schaeffer - 80 hours billed services - $2,981
President and CEO, Blue Cross of California
Woodland Hills, CA

Jack Shelton - 168 hours billed services - $6,260
Manager, Employee Insurance Department
Ford Motor Company, Dearborn, Mich.

J.B. Silvers - 192 hours billed services - $7,154
Co-Director, Health Systems Management Center
Case Western Reserve University
Cleveland, OH

Bruce Vladeck - 78 hours billed services - $2,906
President, United Hospital Fund of New York
New York, NY

Sankey Williams - 153 hours billed services - $5,701
Director, Clinical Scholars Program, Ralston Penn Center, Philadelphia, PA

STAFFING

Mr. Natcher: How many staff were on-board at the end of fiscal year 1989, and what is your estimate for end-of-year 1990?

Dr. Young: Twenty-two staff were on-board at the end of fiscal year 1989. Staff vacancies which had occurred during the summer were not filled due to uncertainties regarding fiscal year 1990 appropriation and a Gramm-Rudman

sequestration. I anticipate a full complement of 26 staff at the end of 1990.

COMMISSION ATTENDEES

Mr. Natcher: What percent of Commissioners have been present at each of your Commission meetings during the last three years?

Dr. Young: We have 80 to 100% attendance at Commission meetings.

INTRAMURAL RESEARCH PLAN

Mr. Natcher: Provide a research plan for 1989 intramural research comparable to that included in the justification for extramural research.

SEE INSERT

1989 INTRAMURAL RESEARCH

Data Base Development

Medicare Cost Report Files - Update PPS4 and add PPS5 -- This database development task updated Medicare Cost Reports from the fourth year of PPS and added cost reports from the fifth year.

Append Estimated Costs -- This database development task was to use Medicare Cost Report data to calculate ratios of cost to charges for each ancillary department. Then, Medicare costs were estimated. These estimates were compared to payments in DRG screens.

MEDPAR Summary Statistics -- Routine summary statistics were generated from the MEDPAR patient billing file. These statistics included number of discharges, mean length of stay, and mean charges by DRG.

Create AIDS Subfiles -- This database development task was to create a subfile of patient billing records. Included in this subfile were records of patients with AIDS diagnosis codes.

Update Model with New Regulations -- ProPAC's PPS payment model is updated each time PPS payment policy is changed.

Baseline Screen Sample -- A database from a 20 percent sample of the MEDPAR file was created with cost, charge, and payment data. This file is used in DRG, procedure, or diagnosis-specific analyses to determine adequacy of payments.

Create PMC Database -- Patient Management Category codes were added to a 10 percent sample of patient billing data. This database was used in an extramural analysis of case-mix change.

A/B Generic Software -- Software is being developed to use in analyzing episodes of care using the linked Medicare Parts A and B data files. This software will allow easier user access to this database.

March Report

Productivity AHA Survey -- AHA Annual Survey data from 1980 to 1988 was used to measure changes in hospital productivity. The analysis examined the impact of skill mix change on labor productivity.

Screens Using MEDPAR 1988 -- A generic data request for DRG, procedure, or diagnosis-specific screens is used to assess adequacy of PPS payments in relation to costs.

Base Payment Amounts -- This analysis estimated the impact on payments of eliminating the differential between the urban and rural standardized amounts. The effects of creating one standardized amount was examined as well as keeping the large urban amount.

Total Margins -- Medicare Cost Report data were edited to use in developing total margin ratios for all hospitals. MCR total margins were compared to the margins calculated with AHA data.

Indirect Teaching & Disproportionate Share Adjustment -- These analyses re-estimated the impact of teaching activity on hospital costs. It also examined the overlap between the PPS indirect teaching adjustment and the disproportionate share adjustment.

Occupational Mix/Area Wage -- This analysis tested the need for information on occupational mix for use in constructing the area wage index. Unadjusted wage indexes were compared to occupational-adjusted indexes.

Tracheostomy -- This analysis evaluated the degree of improvement achieved in the classification of tracheostomy cases under the assignment methodologies proposed in the Yale DRG Refinement and the refined New York Grouper, compared with the classification of these cases under the current Medicare DRG Grouper.

Excluded Hospitals -- This request provided the Commission with descriptive information on changes in cost per case and per-case payments for PPS-excluded hospitals and distinct-part units.

Lithotripsy -- This analysis examined the payments and costs of extracorporeal shock wave lithotripsy patients.

<u>June Report</u>

Update CMI Change with 88 Data -- This analysis examined case-mix index change over time. It focused on the case-mix indexes of classes of hospitals in 1981, and 1984 through 1988. It examined the distribution of CMI change across the standard hospital groupings.

Concentrations -- This analysis examined the relationships between: a) hospital volume of specialized procedures and outcomes, and b) hospital volume of specialized procedures and average standardized costs.

PPS Margins -- This was an update of data on PPS operating margins, Medicare inpatient margins, and total hospital margins for the June 1990 report to Congress. These margins were examined over time and across groups of hospitals.

Hospital Closures -- This analysis updated last year's hospital closures analysis. The characteristics of hospitals that closed were compared to a similar group of hospitals that remained open. The file was updated with the list of 1988 hospital closures, new cohorts were created, and descriptive statistics were generated.

Hospital Closures/Access -- This was a county-level analysis on the effect of hospital closures on Medicare reimbursements.

AIDS Indepth -- This analysis compared the adequacy of the current Medicare DRGs in explaining variations in costs for AIDS patients to that of two other DRG systems: a) the Yale Refinement DRGs; and b) the New York State DRGs.

Multiple Admissions -- This analysis was a continuation of last year's analysis on hospital readmissions and transfers. It is one part of ProPAC's efforts to evaluate the impact of PPS on quality of care. Changes in readmission and transfer rates over time were examined to determine if PPS affects the quality of care received by Medicare beneficiaries.

Capital -- Hospital capital costs were examined over time and across hospital groups. Capital costs and financial status of hospitals with high case-mix indexes were also examined for the June Report.

Episodes of Care - Hip Cases -- In this analysis ProPAC examined episodes of care for hip fracture patients to learn more about the patterns of services used by Medicare patients. Patterns of services as well as variables associated with different patterns of service use were examined.

Payment Policy Changes -- This analysis produced estimates of the effects of payment policy changes on payments in each year under PPS. This is for a table that is published in the June Report.

Targeted Studies -- This analysis examined characteristics of particularly vulnerable groups of Medicare beneficiaries to determine if there may have been changes in quality of care. 1985 and 1989 admission rates were calculated for buy-in enrollees age 65 and older. It also updated admissions and LOS statistics with MEDPAR 1988.

Transitional Care - Hips -- This was an analysis of specific DRGs that included hip fracture cases to examine length of stay and number of cases. The number of hospitals discharging patients within seven days were examined.

AHA Statistics -- American Hospital Association data on hospital employees, admissions, length of stay, occupancy, etc. were examined over time. These data were included in the June Report.

Special Reports

HI Medicare Hospitals -- This analysis examined the financial status of hospitals with a high proportion of Medicare patients.

Outpatient Payment Distribution -- This analysis helped the Commission make some judgement on the effect of Medicare's allocation of costs methodology on outpatient costs, including capital-related costs and direct medical education.

Winners and Losers -- This analysis described hospitals that are consistent winners and hospitals that are consistent losers under PPS. First, hospitals were identified as winners or losers. Then, characteristics of these hospitals were compared.

Rural Report -- The results of this analysis will be used in a Congressionally-mandated report on small rural hospitals and sole community hospitals. The report will examine cost reimbursement and the volume adjustment for sole community hospitals. We will look at some basic descriptive data on rural hospitals, as well as some distributional data on cost, revenues, and volume of admissions.

MEETING SPACE

Mr. Natcher: How much did you spend on the rental of meeting space in 1989?

Dr. Young: A total of $45,000 was spent for 7 Commission meetings and 14 Subcommittee meetings. All of the meetings were open to the public and were attended by up to 100 public participants.

EFFECTS OF PPS

Mr. Conte: Prospective payment has been on the books now since the early 1980s. Is prospective payment working?

Dr. Williams: PPS has helped to constrain the increase in Medicare spending for inpatient hospital services. At the same time, however, spending for services furnished outside the hospital continue to grow rapidly. Overall, I believe PPS has worked. There are a number of areas, however, that require improvement such as the wage index and the structure of the DRGs. In addition, as PPS has contained Medicare spending, hospital costs continue to increase resulting in a decline in hospital financial condition. The Commission is examining this subject very closely.

Mr. Conte: Has it held down costs without compromising quality?

Dr. Williams: The Commission has closely examined the effects of PPS on quality of care. It is our current belief that PPS has not resulted in a systematic decrease in the quality of care financial medicare beneficiaries.

1991 RECOMMENDATIONS

Mr. Conte: What were the Commission's most recent key recommendations to the Secretary on improving prospective payment?

Dr. Williams: Our major recommendation each year relates to the annual update factor for PPS hospitals. For fiscal year 1991 we are recommending an average update factor of 4.9%. We recommend that urban hospitals receive an update of 4.5% and rural hospitals 7.0%. We recommend an

update factor of 5.6% for hospitals and distinct part units excluded from PPS.

We are recommending that the differential standardized amounts for urban and rural hospitals be eliminated over 3 years. We also recommend a modest reduction in the level of the teaching adjustment.

Our report to the Secretary also contains a number of recommendations for improvements in case-mix measurement and better information for decision making. We have also recommended that the Secretary begin to collect the data necessary to evaluate additional improvements in the wage index.

WAGE INDEX

Mr. Conte: Recent studies have demonstrated that the current area hospital wage index tends to overcompensate hospitals in some urban areas, while it also tends to undercompensate hospitals in some rural areas. As you know, the wage index is one of the most important factors affecting the level of payments to individual hospitals under PPS.

What can be done to improve the wage index in such a way as to account for local labor conditions and occupational mixes of particular hospitals?

Dr. Williams: The Commission shares your concerns regarding the wage index. We have recommended that the Secretary begin to collect the necessary data to evaluate the importance of adjusting the wage index for occupational mix. We plan to continue to evaluate this topic ourselves. However, additional data on employee compensation by occupational category is necessary.

HOSPITAL COST CONTROL

Mr. Conte: Hospitals have been facing a crunch of higher costs and constrained reimbursements. As the margins hospitals are receiving from PPS are falling, they must either contain their costs or seek additional revenues.

Why haven't hospitals been able to contain their own costs?

Dr. Williams: In the early years of PPS hospitals did very well financially under PPS. This may have reduced the incentive to continue to restrain spending. In addition, hospitals respond to the requests of patients and doctors to furnish up-to-date, complex and expensive services even if it is not efficient to do so. Hospitals also are concerned with meeting the requests of the physicians so the physicians will admit patients to the hospital.

Mr. Conte: What hospital cost components are rising the most?

Dr. Williams: The problem with the continued increase in hospital costs is not necessarily the increase in the price of any single item. Rather, our analysis shows that hospitals continue to provide more and more services. More X-Rays, more tests, more complex surgical and diagnostic procedures while the cost of things such as drugs, and in the recent past malpractice insurance, has increased rapidly, the costs have increased primarily because hospitals are providing more and more costly services to each patient. In addition, personnel shortages are also leading to increased labor costs for nurses and other technical staff in short supply.

CASE-MIX

Mr. Conte: Since the creation the PPS system, have case-mixes changed very much?

Dr. Williams: The case-mix index increased an average of 3.3% each year from 1984 to 1988. The increase in the case-mix index has increased Medicare PPS payments more than all of the other policy changes including the annual PPS update.

Mr. Conte: Do you anticipate any major changes in the case-mix of either rural or urban hospitals in the near future?

Dr. Williams: We anticipate that the case-mix index will continue to increase between 2 and 3 percent this year and next. Urban hospitals have had a much greater

increase in the case-mix than rural hospitals and we expect the difference to continue.

OPERATING MARGINS

Mr. Conte: As you know, operating margins under the PPS systems varies quite a bit for different hospitals.

What accounts for the difference in among similar hospitals' operating margins within a region, or even a city?

Dr. Williams: The Commission is very interested in the question you ask. Where we have identified problems in areas such as the wage index or the structure of the DRGs that disadvantage certain hospitals, we have recommended improvements. We believe that there are other areas such as the practice patterns of physicians that influence how well a hospital does financially under Medicare. To help us better understand why some hospitals do well and others do not under PPS, we are greatly expanding our research and analysis this year. As findings from this expanded effort emerge, we will report them to you.

Mr. Conte: What can be done to improve reimbursement policy to better adjust for variations in hospital costs?

Dr. Williams: The two areas that look most promising are improvements in case-mix measurement, that is the DRGs, and improvements in the measurement and adjustment for hospital labor costs. We are working closely with HCFA in both of these areas.

DRG REFINEMENTS

Mr. Conte: As you know, DRG coding abuse is a key concern in improving the PPS system.

What can be done to prevent DRG creep, as well as bundling and unbundling of diagnoses, for the purposes of extracting higher payments?

Dr. Williams: As I noted earlier, the case-mix index of hospitals continues to increase. Much of this increase reflects the increasing severity and complexity of

cases which hospitals treat. Some of it, however, merely reflects improved medical record keeping. In most cases this improved coding does not involve abuse. When it does, the PROs have been given authority to take action. As part of its annual recommendation on the update factor, the Commission adjusts for its best estimate of coding creep from the prior year.

In terms of unbundling of services, we also adjusted for this in the early years of PPS. Currently, we do not believe that further adjustments are necessary. We are continuing to monitor this subject and are examining it again as part of the report we will submit to you in July on the growth of outpatient hospital spending.

Mr. Conte: Are there any plans to improve the ICD coding system to reflect changes in practice and utilization patterns?

Dr. Williams: There are ongoing improvements in the ICD coding system. There are also plans to replace ICD-9-CM coding system with the ICD-10 system. Since medical practice is constantly changing it will be necessary to maintain a process for continually updating the system. We have made a number of recommendations on this subject and will continue to provide oversight and suggests for improvements.

FORECAST ERROR CORRECTION

Mr. Conte: What efforts are underway to eliminate errors in the market basket formulas?

Dr. Williams: Forecasting inflation will always be imperfect. The Commission recognizes this and has included an adjustment in its update factor recommendation, when necessary, to correct for prior year forecasts. In practice, however, recent market basket forecasts have been quite accurate.

Mr. Conte: What is being done to improve the market basket structure overall?

Dr. Williams: Over the years we have recommended numerous improvements in the structure of the market basket. We are pleased

that HCFA has accepted and implemented most of these recommendations. We have an additional recommendation this year related to the measurement of wages which we believe HCFA is considering.

RURAL HOSPITALS

Mr. Stokes: Last year the House asked ProPAC to advise Congress on policy changes that will allow rural communities to maintain a continuity of health care services. The Commission has just completed a research project comparing use of hospital services by rural and urban residents. Please share with the committee the Commission's progress in recommending additional policy changes to ensure rural residents maintain access to high quality care.

Dr. Williams: We have continued to devote a significant portion of our resources to rural hospital topics. The Congress has requested that we will submit a report by May 1, 1990 recommending policy changes for sole community and small rural hospitals. The Commission will be finalizing this report at the April meeting. In addition, in our March report we recommended that the different standardized for rural and other standardized amounts be eliminated over 3 years. We have also recommended higher update factor for rural than urban hospitals in recent years.

Mr. Stokes: I am concerned about the provision of adequate health care and its access to everyone. In your March 1990 report you state the Commission is examining problems of referral centers and sole community hospitals because these hospitals are small and especially vulnerable to the financial impact of wide fluctuations in local demand for inpatient care. Please describe in more detail the Commission's research plan for FY 1991 with special regard to this issue.

Dr. Williams: We have continued to examine the methods for determining hospital market areas. These methods are critical to determining market share and therefore sole community hospital status. We have also looked carefully at declines in

hospital admission and fluctuations in volume. In addition, we have simulated the effects of using a payment method other than PPS to pay sole community and small rural hospitals. All of this information will be used by the Commission in developing its report and recommendation to be submitted to the Congress in May.

CONSOLIDATION WITH PPRC

Mr. Stokes: Last year the House asked the Chairman of ProPAC to report on the feasibility and desirability of consolidating some or all of the administrative operations of ProPAC; the Physician Payment Review Commission and the Prescription Drug Payment Review Commission. I understand that these parties concluded that it might be feasible to consolidate the operations of these groups, but it would not be desirable to do so. Please explain to us why it would not be desirable to do this.

Dr. Williams: As we indicated in the report we submitted, we could not identify any substantial areas where administrative savings would result for consolidation. We currently keep in close contact on administrative matters and share our knowledge with each other. Both groups use the GSA for payroll and other administrative services. GSA also serves as our landlord and provides telecommunication services. We also both use government contract travel agencies and the mainframe computer services of other government agencies. We share advisory help on government contracting and legal issues. In each of these areas, as well as others, we do not believe that additional efficiencies and savings to the government would result from consolidation. We also believe that inefficiencies could result as lines of authority and responsibility are redefined to coordinate the administrative support for two groups with different Congressional mandates and reporting cycles.

RURAL HOSPITALS

Mr. Weber: As you know, Congress has been moving to reduce the "Urban-Rural Gap" in Medicare reimbursement.

By your calculations, do you know how far we are from eliminating that Gap?

Dr. Williams: In the first year of PPS, the rural standardized amount was 20.2 percent lower than the urban standardized amount. In the current fiscal year, the difference between average urban and rural standardized amounts narrowed to 7.8 percent. ProPAC has recommended that the difference be phased out entirely over a period of three years beginning in fiscal year 1991.

Mr. Weber: From your information, do you know what an immediate elimination of the urban-rural disparity would do to the rate of rural practice and hospital closings over the next several years?

Dr. Williams: Eliminating the difference in the standardized amounts will help rural hospitals. However, for hospitals that are in severe financial condition, especially those with very low occupancy, that is not likely to prevent their closure. We continue to examine closely hospital closures and especially the access to hospital and other services by Medicare beneficiaries. We will keep you informed of our findings as we proceed.

Mr. Weber: While there has been much debate about the fate of rural hospitals, one thing everyone seems to agree on is that the real problem for rural hospitals is the higher cost per patient.

Some have responded to this by arguing that rural hospitals must cut costs, which in many cases translates into closing its doors or cutting back needed services. Others have argued that these costs are inherent, and should be reflected by reimbursement rates.

Dr. Williams: You raise a very important question. The Commission's recommendation to

eliminate the difference in the standardized amounts will place rural hospitals on a more equal footing with urban hospitals. When the differential has been eliminated, the differences in per-case payments should reflect only things such as differences in the cost of labor and differences in the mix of patients treated which are adjusted for by PPS. Our recommendation for improvements in the wage index will also help to treat hospitals more equitably.

Our analysis has shown that the problems facing rural hospitals are not per case costs so much as they are the dramatic declines in admission to rural hospitals. That is, rural hospitals are facing decreased revenues because of declining admissions and low occupancy. We will address this topic further in the report to Congress due in May 1990.

Mr. Weber: During a recent rural health conference I held in my district, a physician made the point that although the cost of his building in a rural area is less when he buys it, it also is worth less when he sells it.

Do you take factors like that into consideration when you figure costs in rural areas?

Dr. Williams: The information I have been describing relates to hospital operating costs, not capital costs that are paid for separately. The point made by the physician at your conference may pertain more to physician and ambulatory services which do not have a separate capital component.

Mr. Weber: In general, do you have any new suggestions as to how we can address the growing economic problems rural health providers are facing?

Dr. Williams: The Commission will be considering in its May 1990 report to Congress on rural hospitals whether PPS is an appropriate payment system for small rural hospitals. In addition, recent demonstration projects targeted to rural health care delivery may indicate

major new ways to more efficiently deliver services in rural areas. To the extent the economic problems facing rural health providers are also the economic problems facing these communities generally, there may be limits to what Medicare can do. For example, if the problems faced by rural communities are due to unemployment or a declining population, improvements in Medicare payments will help, but other solutions will be necessary as well.

HIGH MEDICARE HOSPITALS

Mr. Weber: I understand a study is in the works on High Medicare Hospitals which is due out in June. How is the study progressing, and do you have some preliminary findings you can share with us today?

Dr. Williams: I am sorry that I do not have much in the way of new information at this time. One preliminary finding, however, is of interest. Among urban hospitals, there is a pattern of lower PPS margins in those groups of hospitals with high Medicare share. Among rural hospitals, the groups with low Medicare share had even lower PPS margins than the groups with high Medicare share. We will have much more information available by the time of our meeting in late April.

OPTOMETRISTS AND OPTHAMOLOGISTS

Mr. Weber: Optometrists in my district tell me that they are waiting to hear from you on the status of payment for optometrists and opthamologists. Has any decision been reached as yet, and if not, when do you expect to reach one?

Dr. Williams: ProPAC's responsibilities deal only very indirectly with optometrists and opthamologists. We are however, carefully examining the facility component of payment for surgical procedures such as cataract extraction in the hospital outpatient department. Our reports to you on hospital OPD services are due in July 1990 and March 1991.

1022

JUSTIFICATION OF THE BUDGET ESTIMATES

PROSPECTIVE PAYMENT ASSESSMENT COMMISSION

FY 1991 Proposed Budget	Page
Appropriation language	2
Amounts available for obligation	3
Summary of changes	4
Budget authority by activity	6
Budget authority by object	7
Significant items in House and Senate Appropriations Committee Reports	8
Authorizing legislation	12
Appropriation history table	13
Justification:	
A. General Statement	14
B. Commission Accomplishments	19
C. Estimates for Consulting Services	22
D. Estimates for Related Services	23
E. Detail of Permanent Positions	25
F. Salaries and Expenses	26
Appendix - Research Agenda and Plans	

PROSPECTIVE PAYMENT ASSESSMENT COMMISSION

Appropriation Language

General and special funds:

SALARIES AND EXPENSES

For expenses necessary to carryout section 601 of Public Law 98-21, [$3,919,000] $4,073,000 to be transferred to this appropriation from the Federal Hospital Insurance and the Federal Supplementary Medical Insurance Trust Funds (Departments of Labor, Health and Human Services, and Education and Related Agencies Appropriation Act, 1990).

29-886 O—90——33

PROSPECTIVE PAYMENT ASSESSMENT COMMISSION

Amounts Available for Obligation

	1989 Actual	1990 Estimate	1991 Estimate
Appropriation	$3,620,000	$3,869,000	$4,073,000
Unobligated balance start of the year	0	0	0
Unobligated balance end of year	0	0	0
Unobligated balance lapsing	169,000*	0	0
Total, obligations	$3,451,000	$3,869,000	$4,073,000

* Includes $125,000 transferred to provide start up funding for the Prescription Drug Payment Review Commission.

PROSPECTIVE PAYMENT ASSESSMENT COMMISSION

Summary of Changes

	Unobligated Authority	Obligations Balance	Incurred Net
FY 90 Current estimate	$3,869,000	0	$3,869,000
FY 91 Estimate	$4,073,000	0	$4,073,000
Net Change	$ +204,000	0	$ +204,000

	1990 Base		Change from Base	
	Pos. (FTE)	Budget Authority	Pos. (FTE)	Budget Authority
Increases:				
1. Salaries				
Staff	26	$1,261,000	---	$ +63,000
Commissioners	2	105,000	---	+5,000
2. Benefits	---	306,000	---	+11,000
3. Travel - Staff	---	21,000	---	+1,000
Commissioners	---	72,000	---	+4,000
4. Standard Level User Charges	---	148,000	---	+9,000
5. Main Frame Computer	---	430,000	---	+20,000
6. Telephone	---	19,000	---	+1,000
7. Postage/Delivery	---	21,000	---	+1,000
8. Printing/Reproduction	---	95,000	---	+5,000
9. Research Contracts	---	1,173,000	---	+77,000
10. Other Contracts	---	115,000	---	+5,000
11. Supplies	---	21,000	---	+1,000
12. Publications	---	12,000	---	+1,000
SUBTOTAL	28	3,799,000	---	+204,000

Summary of Changes (continued)

	1990 Base Pos. (FTE)	1990 Base Budget Authority	Change from Base Pos. (FTE)	Change from Base Budget Authority
Decreases				
	---	---	---	---
No Changes				
1. GSA Services	---	50,000	---	---
2. Equipment and Furnishings	---	20,000	---	---
TOTAL	28	$3,869,000	---	---
NET CHANGE	---	---	---	$204,000

PROSPECTIVE PAYMENT ASSESSMENT COMMISSION

Budget Authority by Activity

(Budget Authority in Thousands)

	1989 Actual FTE	1989 Actual Amount	1990 Estimate FTE	1990 Estimate Amount	1991 Estimate FTE	1991 Estimate Amount
Administration & Management	26	$2,362	26	$2,696	26	$2,823
Data Development, Analysis and Research	2	1,089	2	1,173	2	1,250
TOTAL		$3,451		$3,869		$4,073

PROSPECTIVE PAYMENT ASSESSMENT COMMISSION

Budget Authority by Object

(Budget Authority in Thousands)

OBJECT CLASSIFICATION:	FY 1990 PLAN	FY 1991 PROPOSED BUDGET
Salaries:		
Full-time staff	1,261	1,324
Commissioners	105	110
	1,366	1,434
Benefits:	306	317
Travel:		
Staff	21	22
Commissioners	72	76
	93	98
Standard Level User Charges:	148	157
Communications, utilities, and other rent:		
Mainframe Computer Services	430	450
Telephone	19	20
Postage	21	22
	470	492
Printing & Reproduction	95	100
Other Services:		
Research data and policy analysis studies	1,173	1,250
Other Contracts (Gov't. meetings, etc.)	115	120
GSA Services	50	50
	1,338	1,420
Supplies and Materials:		
Supplies	21	22
Publications	12	13
	33	35
Equipment and Furnishings	20	20
TOTAL OBLIGATIONS	$3,869	$4,073

PROSPECTIVE PAYMENT ASSESSMENT COMMISSION

Significant Items in House and Senate Appropriations Committee Reports

Items	Action Taken or to Be Taken
1984 House Report No. 98-911	
The Committee believes that the primary role of the Commission lies in a broader evaluation of the impact of Public Law 98-121 on the American Health Care System. The Committee therefore directs that the Commission submit an annual report to Congress which expresses its view on these issues.	The Commission submitted its first report February 1986. Reports are submitted annually.
1985 House Report No. 99-289	
The Committee is pleased that the Prospective Payment Assessment Commission is taking steps to establish procedures that allow improved public comment and participation in the deliberations of the Commission. Such comment is vital in assuring a broad representation of viewpoints and information. The Committee urges the Commission to implement these procedures promptly and to make such further changes as future practice indicates.	The Commission adopted procedures for improved public comment at the July, 1985 Commission meeting.

Significant Items in House and Senate Appropriations Committee Reports (continued)

1985 Senate Report No. 99-151	
The Committee is pleased that ProPAC is taking steps to establish procedures that allow improved public comment and participation in the deliberations of the Commission. Such comment is vital in assuring a broad representation of viewpoints and information. The Committee urges the Commission to implement these procedures promptly and to make such further changes as future practice indicates.	The Commission adopted procedures for improved public comment at the July, 1985 Commission meeting.
1986 House Report No. 99-711	
The Committee expects the Commission to more formally organize its research program and to include in its FY 1988 budget request a formal research plan which reviews FY 1985 and 1986 work and lays out an agenda for FY 1987 and 1988.	The Commission adopts a formal research plan each year.
The Committee encourages the Commission to continue to implement procedures to assure a broad representation of viewpoints and information.	The Commission continues to follow its revised procedures for improved public involvement.
1987 Senate Report No. 100-189	
The Committee agrees with the Commission to change the publication date from February to June for the report to Congress on the impact of the Prospective Payment System on the American Health Care System. The change is necessary because of the change in publications date of the annual report and recommendations to the Secretary from April 1, to March 1, beginning in 1988.	The Commission will submit a Report to Congress on Medicare Prospective Payment and the American Health Care System annually in June beginning in 1988.

Significant Items in House and Senate Appropriations Committee Reports (continued)

The Committee noted in the preliminary ProPAC report, issued April 1987, the Commission's desire to further examine the effect of Prospective Payment System (PPS) policies on rural hospitals. The Committee encourages and supports the Commission's recommendations on modifications of PPS to address the financial risks of small, isolated rural hospitals.	The Commission has developed additional recommendations related to small, isolated hospitals.
1989 House Report No. 101-172	
The Committee requests the Chairman of the Commission to meet with the Chairman of the Physician Payment Review Commission and the Prescription Drug Payment Review Commission and to present a joint report assessing the feasibility and desirability of consolidating some or all of the administrative operations of the three groups.	The Chairman of the Prospective Payment Assessment Commission (ProPAC) and the Physician Payment Review Commission (PPRC) submitted a report January 16, 1990 indicating that while it would be feasible to consolidate some or all of the administrative operations of ProPAC and PPRC, it would not be desirable to do so. There would be little or no additional efficiency in such consolidation. In fact, there could be inefficiencies created related to redefining lines of authority and responsibility.

Significant Items in House and Senate Appropriations Committee Reports (continued)

1989 Senate Report 101-127

The Committee is concerned that the Commission has been more attuned in its reports to the problems of large urban hospitals, and has failed to address adequately the difficulties of rural hospitals or the totality of how PPS affects access to care. The Committee notes that urban areas are disproportionately represented among the Commissioners and staff of ProPAC, and urges the Commission and the Office of Technology Assessment to rectify this imbalance in rural representation on the Commission.

The responsibility of appointing Commissioners resides with the Office of Technology Assessment (OTA). The Commission has discussed with OTA of the Committee's concerns regarding ProPAC membership.

The Committee is deeply concerned that inequities in PPS payments to rural hospitals are devastating rural America's health care system. PPS was not intended to reduce access to quality health care services to Medicare beneficiaries. The Committee believes that ProPAC, as the advisory Commission on Medicare payments to hospitals, must advise Congress on policy changes that will allow rural communities to maintain a continuity of health care services.

The Commission shares the Committee's concerns regarding access to quality care for rural Medicare beneficiaries. In the past several years we have devoted a significant portion of our resources to rural health care issues and have recommended policy changes which have been implemented. We have continued these efforts, and have just completed a research project comparing use of hospital services by rural and urban residents. We will be recommending additional policy changes to ensure rural residents maintain access to high quality care.

The Committee is also concerned that, historically, ProPAC has avoided looking at the impact on hospital finances of payments for nonphysician health care providers such as nurse practitioners, psychologists, and optometrists. The Committee recommends that ProPAC begin reviewing their reimbursement also, and the extent to which these providers might provide alternatives to hospital care.

The Commission is obtaining information regarding nonphysician health care providers and their impact on hospital finances and health services delivery. This information will be included in the Commission's June 1990 report to Congress.

PROSPECTIVE PAYMENT ASSESSMENT COMMISSION

Authorizing Legislation

	1990 Amount Authorized 1/	1990 Estimate	1991 Amount Authorized 1/	1991 Budget Request
PROPAC				
1. Administration and Management	NA	$2,696,000	NA	$2,823,000
2. Data Development, Analysis and Research	NA	$1,173,000	NA	$1,250,000

1/ Pub. L. 98-21, Section 1886 (I)(i) authorizes, "such sums as may be necessary."

PROSPECTIVE PAYMENT ASSESSMENT COMMISSION

Appropriation History Table

	Budget Estimate to Congress	House Allowance	Senate Allowance	Appropriation
1984	$1,500,000	$1,500,000	$1,500,000	$1,500,000
1985	$3,131,000*	$2,424,000	$2,410,000	$2,424,000
1986	$3,240,000**	$2,784,000	$2,893,000	$2,893,000***
1987	$3,421,000	$3,421,000	$3,421,000	$3,421,000
1988	$3,798,000	$3,752,000	$3,752,000	$3,592,000
1989	$3,664,000	$3,664,000	$3,664,000	$3,495,000
1990	$3,797,000	$3,919,000	$3,794,000	$3,919,000****
1991	$4,073,000			

*Anticipates continuing FY 84 carryover of $707,000 allowing a total budget of $3,131,000 for FY 85.

**Anticipates continuing FY 85 carryover of $347,000 allowing a total budget of $3,240,000 for FY 86.

***P.L. 99.177 Sequestered $124,000.

****P.L. 101-239 Sequestered $50,000.

PROSPECTIVE PAYMENT ASSESSMENT COMMISSION

Budget Justification

FY 1991

General Statement

The Prospective Payment Assessment Commission (ProPAC) was established by Congress under the Social Security Act Amendments of 1983 (P.L. 98-21), when the Medicare prospective payment system (PPS) was enacted. ProPAC was established as an independent Commission to advise and assist the Congress and the Secretary of Health and Human Services in maintaining and updating the Medicare prospective payment syutem.

The formal responsibilities of ProPAC are mandated in the law, with the work of the Commission centered in two primary areas: (1) recommending annually to the Secretary of HHS the appropriate percentage change in the payments made under Medicare for inpatient hospital care, ("the update factor"), and (2) consulting with and recommending to the Secretary necessary changes in the diagnosis-related groups (DRGs) and their relative weights. The Commission also reports to Congress its evaluation of adjustments made by the Secretary with respect to the diagnosis-related groups. The Congress has also requested, through the House Appropriations Committee, submission of an annual report on the impact of PPS on the American Health Care System. The Congress also periodically requests additional reports on specific topics.

The membership of the Commission, appointed under the law by the Director of the Congressional Office of Technology Assessment, was expanded in 1986 from 15 to 17 members. The Commission is assisted in its work by an Executive Director and a staff of not more than 25. Meetings are held periodically and are open to the public. The Commission has adopted rules and procedures to encourage maximum public involvement in decision making. ProPAC will usually operate within a structure in which issues and information are first considered by an appropriate subcommittee, and then brought to the full Commission's attention. The work of the Commission is considered by three subcommittees: Diagnostic and Therapeutic Practices, Hospital Productivity and Cost-Effectiveness, and Data Development and Research. In addition, the Commission has established a joint subcommittee with the Physician Payment Review Commission to share information and ensure coordination of effort in areas of mutual or overlapping interest.

The Commission was appointed and began its work in November, 1983. Staffing of the Commission and substantive work began in the Spring of 1984.

In the early years of PPS the Commission focused primarily on technical issues related to the design, implementation and updating of the new payment system. Currently, the Commission is devoting a significant portion of its resources to an examination

of the impacts of PPS on Medicare beneficiaries, hospitals and the American health care system generally. In addition to the work related to inpatient hospital services, the Commission has recently been directed by the Congress to examine outpatient hospital services and payment policies.

Funds are expended in two major categories:

Administration and Management

Data Development, Analysis and Research

It is important to note that the major expenditures are in the Administration and Management category.

The remaining expenditures in the Data Development, Analysis and Research category are only expended to outside organizations and individuals, through grants and contracts, primarily to provide a detailed quantitative information base for the Commissioners to use in formulation of recommendations and reports.

Administration and Management ($2,823 million)

This category includes funding necessary for payment of Commissioners for travel and time spent on Commission business; for salary and benefits for an Executive Director and staff of not more than 25 full-time equivalent personnel; for facilities, supplies, equipment and travel of that staff; for communications with the public, including maintenance of mailing lists, publication of reports, expenses required by the open meetings of

the Commission, and for other administrative expenses associated with facilitating the work of the Commission. In addition, computer services required to conduct ProPAC staff analyses falls into this category. The General Services Administration (GSA) under contract to ProPAC, provides personnel, payroll and accounting services. GSA also arranges on our behalf for office space, telecommunication services, and travel services at government contract rates. Our computer services are obtained from the House Information Systems of the U.S. Congress.

The administration and management budget items are listed below:

Administration and Management (in thousands)	FY 91
Salaries	$ 1,434
Benefits	317
Travel	
Commission and Subcommittees	76
Staff, Consultants	22
Rent and Communication	649
Printing and Reproduction	100
Other Services	170
Supplies and Materials	35
Furniture and Equipment	20
	$ 2,823

Data Development, Analysis and Research ($1.250 million)

This category represents that portion of the proposed budget expended through grants and contracts with outside organizations and individuals to provide a detailed quantitative information base for Commissioners to use in formulation of recommendations and reports. A significant portion of these funds is expended in

areas which focus upon the impact of PPS on the American health care system in general and the Medicare program and its beneficiaries in particular.

Major projects funded to date relate to the Commission's responsibility to develop an update factor for PPS and exempt hospitals, to improve the components of the payment formula to ensure equity in the distribution of payments, to distinguish between true case-mix change and coding change, and to improve DRG classifications. Additional studies focused on quality of care, access and continuity of care, and estimates of the costs associated with new quality of care enhancing scientific and technological advances.

Major recent projects have focused developing the capability to examine the services and costs related to an episode of illness, the use of inpatient services by rural residents, hospital closures, and improved information on overall hospital financial conditions. Additional major studies for fiscal year 1990 and 1991 are directed to an assessment of the accuracy of cost measures derived from the Medicare cost report, better understanding of variations in hospital costs and payments, and improving the measurement of changes in case mix and patient complexity. In addition, a major research project under development will examine why some hospitals have done well and others have had financial distress under PPS.

An appendix with detailed information describing the data development and research budget and agenda for FY 1985 - FY 1990 is attached.

Studies funded from this portion of the budget are, as noted, directed toward developing data and analyses for use by Commissioners for decision-making purposes. It is not anticipated that these funds would be used for clinical research, controlled trials, or formal technology assessments, however. Other governmental and private sector organizations have expertise and experience in these areas. Rather, the Commission has established liaison relationships with organizations established to conduct such research and anticipates that it will continue to rely upon these groups for any such formal research which is needed to support its mandate.

Commission Accomplishments

As noted, the Commission was appointed in November 1983 and became operational in 1984. The first report and recommendations to the Secretary of Health and Human Services was submitted April 1, 1985. Beginning in 1988, Congress required that this report be submitted in March. Annual reports have been submitted on time each year.

Formal comments were provided to the Secretary of Health and Human Services on the regulations proposed for each fiscal year beginning in 1986. Reports to the Congress on the adjustments made by the Secretary were submitted in November 1985 and each year since. A report to the Congress on PPS and the American health care system was submitted in February 1986 and in February 1987. Beginning in 1988, this report is submitted each year in June.

The Congress has also requested the Commission to study and report on a number of additional topics related to PPS and to services provided in hospital outpatient departments.

The following additional reports have been recently submitted:

(1) Medicare Payment for Hospital Outpatient Surgery: The Views of the Prospective Payment Assessment Commission. April 1989.

(2) Adequacy of PPS Payment for Medicare Beneficiaries with Hemophilia. October 1989.

(3) Adjustment to the Nonlabor - Related Portion of the Standardized Amount. August 1989.

(4) Payment Rates for Hospitals Redesignated from Rural to Urban: Analysis and Recommendation. August 1989.

The Commission has provided testimony before the House Ways and Means Committee, House Budget Committee, House Select Committee on Aging, Senate Budget Committee, Senate Special Committee on Aging, and Senate Finance Committee on subjects related to its

expertise, and has worked with these Committees and others on particular analytic problems at their request. In addition, the Commission has worked with the Health Care Financing Administration and a number of private sector groups concerning problems in the prospective payment system and related areas.

As PPS has evolved, ProPAC has examined a number of important policy issues. ProPAC has brought to the attention of the Secretary and Congress problems which could compromise the effective delivery of high quality hospital care to Medicare beneficiaries. In some cases the Secretary has made important adjustments to PPS. In other cases the Congress has legislated necessary changes. The Commission believes that still other adjustments will be needed to assure that PPS is responsive to constantly changing medical practice.

PROSPECTIVE PAYMENT ASSESSMENT COMMISSION

Consultant Services

Estimates for Consulting Services

Obligations

1989 Actual	1990 Plan	1991 Proposed
0	0	0

The Prospective Payment Assessment Commission is not requesting funding for consultant services for FY 91. The need for consulting services has diminished as ProPAC has developed staff expertise and research capabilities. Where special expertise is required the Commission contracts for background papers and analyses or uses its extramural data development, analysis and research authority.

PROSPECTIVE PAYMENT ASSESSMENT COMMISSION

Estimates for Related Services

Obligations

	FY 89 Actual	FY 90 Plan	FY 91 Proposed
GSA	$35,000	$50,000	$50,000
Other Contracts	$119,000	$115,000	$120,000

This category includes funds for a contract with the General Services Administration (GSA) for certain administrative functions, including: accounting, personnel and payroll, budget, facility and supply management and procurement, etc. It is much more efficient and effective to use the GSA organization, which has been established to provide services to small Federal agencies, boards, and task forces, than to attempt to establish this expertise within the ProPAC staff.

Other funds in this category are used for contract services in a number of other areas. These include: providing large public meeting rooms for Commission meetings; obtaining transcripts of meetings; editorial and other services related to preparation and publication of reports; training for staff in various areas, particularly to improve writing and presentation skills and the use of computer and special software computer products necessary to ProPAC's work; contracting with experts to prepare background

papers or to appear at Commission and Subcommittee meetings; and technical panels for the purpose of making reports or presentations on issues of importance to the Commission.

PROSPECTIVE PAYMENT ASSESSMENT COMMISSION

Salaries - Detail of Permanent Positions[1]

95-3400-0-1-551

	FY 89 Actual	FY 90 Plan	FY 91 Proposed
Executive Level	2	2	2
GS/GM-15	3	4	4
GS/GM-14	5	6	6
GS/GM-13	6	4	4
GS -12	4	4	4
GS -9-11	4	4	4
GS -6-8	2	2	2
Total number of full-time permanent positions	26	26	26
Total compensable workyears: Full-time equivalent employment	28[2]	28[2]	28[2]

[1]This schedule is for comparison purposes only. ProPAC does not use the formal government system of grading and salaries. Each salary is negotiated individually following ProPAC's personnel policies and procedures and job descriptions.

[2]The statute requires that Commissioners be paid for the time they devote to Commission business. The meeting time of the 17 Commissioners equals 2 FTEs. This, added to the 26 staff, yields 28 FTEs.

SALARIES AND EXPENSES

Object Classification (in thousands of dollars)

95-3400-0-1-551	1989 Actual	1990 Estimate	1991 Propose
Personnel Compensation:			
11.1 Full-time permanent	1,098	1,261	1,324
11.3 Other than full-time permanent	74	105	110
11.9 Total personnel compensation	1,172	1,366	1,434
12.1 Personnel benefits: Civilian	266	306	317
21.0 Travel and transportation of persons	89	93	98
22.0 Transportation of things.	0	0	0
23.1 Standard level user charges	147	148	157
23.2 Communications, utilities and other rent	378	470	492
24.0 Printing and reproduction	96	95	100
25.0 Other services	1,243	1,338	1,420
26.0 Supplies and material ...	39	33	35
31.0 Equipment	21	20	20
99.9 Total obligations ..	$3,451	$3,869	$4,073

PROSPECTIVE PAYMENT ASSESSMENT COMMISSION

DATA DEVELOPMENT AND RESEARCH BUDGET AND AGENDA AS OF JANUARY 2, 1990

CONTENTS

1. Budget - Fiscal Years 1985-1990

2. Summary and Status of Extramural Research Projects

- Attachment A - Fiscal Year 1987
- Attachment B - Fiscal Year 1988
- Attachment C - Fiscal Year 1989
- Attachment D - Fiscal Year 1990

PROPAC DATA DEVELOPMENT AND RESEARCH BUDGET - FYs 1985-90

		FY 1985 OBLIGATED	FY 1986 OBLIGATED	FY 1987 OBLIGATED	FY 1988 OBLIGATED	FY 1989 OBLIGATED	FY 1990 PLANNED
I.	RESEARCH PROJECTS						
	1. Hospital Labor Market Areas	$209,487		$6,263			
	2. Change in Case Mix & Patient Complexity	$208,450		$40,000	$100,000	$76,000	$24,000
	3. Geographic Variations Grant	$50,000					
	4. Transitional Care Study		$359,831	$27,095	$41,791		
	Survey Implementation - AHA			$78,309			
	5. Hospital Management Strategies		$72,530				
	6. Incremental Costs of Inpatient Care			$233,681			
	Data Acquisition				$89,030		
	7. Medicare Parts A & B Data Base Linkage				$280,077	$54,094	
	8. Hospital Cost Variations Under PPS					$255,216	
	9. Assessment of the Accuracy of Cost Measures						
	Derived from Medicare Cost Report Data					$60,000	$250,000
	10. Quality Issues Related to Shift						$200,000
	11. Proposed FY 90 Projects						$52,000
II.	TASK ORDER CONTRACTS						
	1. Research Support Services	$212,500	$150,000	$267,589	$234,903	$133,196	$150,000
	2. Technology Analysis Support Services	$157,964	$150,000	$205,138	$85,043	$99,362	$100,000
III.	SMALL-SCALE PROJECTS	$10,500	$124,064	$90,420	$76,963	$169,404	$100,000
IV.	COMPUTER SUPPORT SERVICES	$230,726	$184,952	$35,000	$227,554	$285,667	$300,000
V.	DATA ACQUISITION	$18,300	$23,776	$10,000	$203		$5,000
VI.	TECHNICAL ADVISORY SUPPORT	$3,000	$16,414	$7,696	$12,064	$2,348	$6,000
VII.	GRANTS						
	1. Rural Hospital Market Area						
	Admission and Occupancy Rates					$25,000	
		$1,101,807	$1,081,545	$1,021,191	$1,145,608	$1,160,287	$1,175,000 *

* This is the original budget amount, prior to sequestration. The final research budget may be modified.

Fiscal Year Spending Comparison
As of January 2, 1990

CONTRACT TYPE	FY 85	86	87	88	89	90	Total
COMPUTER SUPPORT SERVICES	230,726.00	184,952.00	35,000.00	227,554.20	285,667.00	65,249.00	1,029,149.00
CONSULTANT/ADVISORY	1,950.00	16,414.00	7,696.00				26,060.00
DATA DEVELOPMENT	18,300.00	23,774.00	10,000.00	203.00		6,002.25	58,279.25
GRANTS					25,000.00	1,763.48	26,763.48
MAJOR PROJECTS	417,937.00	432,361.00	405,348.00	510,898.00	445,310.00		2,211,854.00
OTHER PROJECTS	60,500.00	124,044.00	90,420.00	74,943.00	169,483.00	1,610.00	520,920.00
RESEARCH SUPPORT SERVICES	212,500.00	150,000.00	267,588.82	234,903.18	133,196.47	86,970.00	1,083,158.47
SOFTWARE LICENSES						10,000.00	10,000.00
TECHNICAL EVALUATION PANELS	1,950.00			12,063.72	2,348.00	6,062.00	22,423.72
TECHNOLOGY ANALYSIS SUPPORT SERVICES	157,964.00	150,000.00	205,137.95	85,042.75	99,361.82		697,506.52
Total:	1,101,807.00	1,081,545.00	1,021,190.77	1,145,607.85	1,160,287.17	175,677.53	5,686,115.32

1090

ProPAC's Extramural Research Projects

Attachments A-D

Table of Contents

Project Title

Fiscal Year 1985 -- Completed Projects

Hospital Labor Market Areas

Change in Case Mix & Patient Complexity

Geographic Variations Grant

An Evaluation of Medicare's Current Method of Allocating Nursing Costs and Evaluation of Alternative Approaches

Background Research on the Effects of Medicare's PPS on Quality of Care

Review of Evidence and Literature Relevant to the Development of an Analytic Foundation for the Discretionary Adjustment Factor (DAF)

Studies of the PPS Market Basket

Development of a Market Basket for Capital and Study of Geographic Variations in Capital Costs

Developing Alternative DRG Classifications for Medicare Cases Involving Cardiac Pacemakers

PPS Payments for Expensive Prosthetic and Implantable Devices and Other Medical Supplies

Payment Issues for Medicare Discharges Involving Heart Transplantation and Related Services

Evaluating the Heterogeneity of DRGs Involving Lymphomas, Leukemias, and Chemotherapy and Developing Alternative Classification(s) of Discharges

Review of Evidence and Literature Relevant to the Measurement of Hospital's Case-Mix Index

Organizing Clinical Panels to Redefine DRGs

Fiscal Year 1986 -- Completed Projects

Transitional Care Study

The Impact of Selected Management Strategies on Hospital Supply, Cost, Use, and Access

Estimates of Productivity and Case-Mix Trends in Excluded Facilities

Estimates of Hospital Industry Total Factor Productivity

Treatment of Hospital Liability Insurance in the Market Basket

An Examination of PPS and Excluded Hospital Productivity Trends: 1978-1987

Assessing Quality Assurance Software Packages

Surgical Hierarchy

Impact of Scientific and Technological Advances on the Average Cost per Admission in PPS Hospitals

Impact of Scientific and Technological Advances on the Average Cost per Admission in Excluded Facilities

The Effects of PPS on the Use of Expensive Medical Devices

Evaluating PRO Activities in the Preadmission Review Process

Project Title	Page

Attachment A - Fiscal Year 1987

Within DRG Case-Complexity Change 1
Transitional Care Study Survey Implementation 1
Incremental Costs of Inpatient Care 1
Alternative Measures of Hospital Cost Variation 1
Small Isolated Rural Hospitals: Identification of Hospitals and Comparison with Sole Community Hospitals 1
Assessing the Accuracy of the Medicare Cost Report Data 2
Institutional Neutrality of Capital Payments 2
Analysis of 1980 and 1986 Parts A and B Data 2
Developing a Measure of Complexity of Illness within DRGs 2
Estimating the Impact of Scientific and Technological Advances on Increases in Medicare Costs per Case for FY 1990: Implications for the PPS and Excluded Facility DAFs 2
An Evaluation of Methods for Revising DRG 468 2
Trends in Concentration of Specialized Procedures Under PPS 3
Adjustment Methodologies for Outcome Statistics 3
Capital Investment Modeling Effort - Phase II 3
Case-Mix Change: Optimization Model Development 3
Sampling Medicare Cost Reports for Excluded Hospitals 3
Data on Alternative Financing and Delivery Mechanisms 4

Attachment B - Fiscal Year 1988

Methodology for Measuring Case Mix Change 1
Construction of an Inpatient Daily Cost Data Base 1
Medicare Parts A and B Data Base Linkage 1
Analysis of Hospital Sensitivity to DRG Price Variations in the Medicare Prospective Payment System 1
Refinement of Measure of Complexity of Illness Within DRGs 1
Treatment of Certain Hospital Labor Expenses in the PPS Market Basket 2
The Impact of DRG Grouper Changes 2
Acute Myocardial Infarction -- Payment Issues 2
The Impact of Scientific and Technological Advances on Medicare Inpatient Hospital Costs per Case for FY 1990 2
Data on Alternative Financing and Delivery Mechanisms 2
Use of DRGs by State Programs and Blue Cross/Blue Shield 2
The Relationship Between Hospital Capital Costs and Occupancy Rates 2
Private Sector Cost Containment Efforts 3
The Feasibility of Conducting a Major Research Project on Changes in Hospital Staffing 3
Assigning Hospitals to Urbanized Areas Within MSAs 3

Project Title	Page
Feasibility Study: Using SMS Data for Incremental Cost Study	3
The Feasibility of a Major Research Project on the Quality of Care of Specified Procedures	3

Attachment C - Fiscal Year 1989

Measuring Components of Case-Mix Change	1
Medicare Parts A and B Data Base Linkage	1
Hospital Cost Variations Under PPS	1
Assessment of the Accuracy of Cost Measures Derived from Medicare Cost Report Data	1
Urban and Rural Cost Differences	1
Nonlabor Adjustment	2
Alternative Hospital Market Area Definitions	2
Explaining Differences in Costs Between Hospital Outpatient Departments and Free Standing Ambulatory Clinics	2
Estimating the Impact of Scientific and Technological Advances, Monitoring Growth in Free Standing Ambulatory Centers, and Assessing Technology and Ambulatory Services	2
Physician Credentialing	2
Analysis of Hospital Margins Derived from AHA and MCR Data	2
Changes in Hospital Productivity	3
Hospital Closures 1980 Through 1988	3
Medicare Beneficiary Demographics	3
State Hospital Payment Systems	3
Assignment of Patient Management Categories (PMCa) to Medicare Patient Records	3
Private Sector Cost Containment Efforts – Follow-up	3
Forecasts for Alternative Prospective Payment System Market Baskets	3
Review of ProPAC's Methodology for Measuring Hospital Productivity	3
Hospital Closures 1980 Through 1988 – Follow Up	4
The Relationship Between Declining Occupancy in Rural Hospitals and Per Capita Admission Rates and Costs of Medical Care for Medicare Beneficiaries in Rural Areas	4

Attachment D - Fiscal Year 1990

Assessment of the Accuracy of Cost Measures Derived from Medicare Cost Report Data	1
Winners and Losers	1
Physician and Hospital Caseloads of Specialized Procedures	1
Within DRG Case-Complexity Change – Update and Distributional Differences	1
Rural Hospitals – Alternative Market Share Definitions	1
Adjusting the Area Wage Index for Occupational Mix	1
Readmissions and Transfers	1
Non-Patient Revenues	2
International Comparisons	2

ATTACHMENT A

EXTRAMURAL RESEARCH PROJECTS

FISCAL YEAR 1987

I. RESEARCH PROJECTS

2. Change in Case Mix & Patient Complexity

Commission on Professional and Hospital Activities

Within DRG Case-Complexity Change

Completed

The Contractor provided data on within DRG case complexity change. This contract was a follow-up on previous work CPHA has conducted for ProPAC. This work used their body systems count measure of case-complexity change from 1985-1986 for the Medicare and non-Medicare populations.

4. Transitional Care Study Survey Implementation

American Hospital Association

Completed

The Commission contracted with the American Hospital Association (AHA) to implement the hospital survey, which is part of ProPAC's transitional care project.

5. Incremental Costs of Inpatient Care

The RAND Corporation

Completed

This study examined differences in resource use as length of patient stay changes, holding DRG constant. Results of the analysis will be used principally to guide the development of recommendations concerning outlier payment policy. Study findings will also be useful in improving basic understanding of the relationship between length of stay and costliness of hospital care.

Current outlier payments are based on estimates of incremental costs that are very imprecise. In addition, it is important to estimate costs for all days of patients with varying lengths of stay, not just the incremental costs of days at the end of long stays. Preliminary evidence indicates that costliness per day for all days may increase with the length of stay, holding DRG constant.

The study analyzed patient-level data on days of care, charges, and ancillary service usage to gauge the within-DRG relationship between length of stay and resource use per day. Estimates of this relationship were developed for each DRG.

II. TASK ORDER CONTRACTS

1. Research Support Services

SystaMetrics, Inc.

Alternative Measures of Hospital Cost Variation

Completed

The purpose of this task order was to provide literature reviews regarding certain factors that contribute to variation in hospital costs. Teaching activity, population size and density, and service mix were examined. The literature review examined alternative measures of teaching activity. The review of the other factors described why these factors affect hospital costs, as well as alternative definitions and empirical results of studies on the effects of these factors. These factors could be used in regression analyses designed to explain variation in hospital costs. They could also be used in designing alternative payment structures for PPS.

Small Isolated Rural Hospitals: Identification of Hospitals and Comparison with Sole Community Hospitals

Completed

The purpose of this study was to determine how many facilities are eligible to be designated as Sole Community Hospitals (SCHs). The Contractor also examined how the distribution of SCHs would change if the SCH criteria were altered. This study provided information that will be used in additional analyses of the financial vulnerability of small isolated rural hospitals.

Assessing the Accuracy of the Medicare Cost Report Data — Completed

The Contractor conducted a study of factors contributing to cost differences and accuracy of Medicare cost data pre- and post-PPS. Information was collected through a series of interviews with individuals and groups familiar with Medicare cost reporting practices. These included fiscal intermediaries, hospital personnel, consultants, and representatives of professional organizations. These interviews provided information on:

- Changes in fiscal intermediary auditing practices and hospital cost reporting practices that may affect cost data accuracy.
- Adequacy and technical accuracy of the Medicare cost report in providing information for determining the costs of care and hospital financial condition.
- Changes in hospital accounting procedures, management activities, and fundamental changes in health care delivery that may affect cost report data. (This last task also provided information relevant to capital payment policy issues.)

Institutional Neutrality of Capital Payments — Completed

This task order provided background information on the Commission's recommendation on institutional neutrality with regard to capital payments. The Contractor assessed the magnitude of the problem created by this payment incentive by identifying services that would likely be performed at a facility other than the one with the inpatient stay. They identified the types of hospitals most likely to purchase these services from other facilities and thus require a supplemental payment. In addition, the Contractor evaluated alternative methods for making the supplemental payment.

Analysis of 1980 and 1985 Parts A and B Data — Completed

During 1986, CBO and ProPAC combined Medicare records for CY 1980 and 1985, aggregating data for inpatient hospital, outpatient, home health, skilled nursing facility, and physician services. The file did not include diagnostic or procedural information. Under this task order the Contractor compared pre- and post-PPS utilization patterns and beneficiary cost sharing effects based on certain patient and service use characteristics using this file. The Contractor examined differences in utilization and beneficiary liability based on ESRD status, dual eligibility, age categories, occurrence and place of death, as well as place of service and number of hospital stays.

Developing a Measure of Complexity of Illness within DRGs — Completed

The goal of this research was to refine the Commission's method to monitor continuing changes in DRG case-mix and case complexity (changes within DRGs). This study refined the Commission's methodology for estimating the annual component of real case-mix change within DRGs. The methodology was used to develop annual estimates of within-DRG case-mix change for Medicare patients from 1984 to 1986. It will also be used by the Commission to estimate this component of real case-mix change in future years as additional Medicare data become available.

The Commission is also interested in examining the extent to which the indirect teaching adjustment is a proxy for unmeasured severity or complexity of illness. This adjustment was designed to account for the increase in Medicare cost per case associated with the operation of approved medical education programs. However, there continues to be disagreement about what this adjustment actually measures and compensates. The measures of within-DRG complexity of illness developed under this task order will be used in a separate ProPAC study to investigate the extent to which the indirect teaching adjustment reflects a more complex patient mix that is not measured by the DRGs.

2. Technology Analysis Support Services — Project Hope

Estimating the Impact of Scientific and Technological Advances on Increases in Medicare Costs per Case for FY 1989: Implications for the PPS and Excluded Facility DAFs — Completed

In fiscal year 1988, the Contractor refined ProPAC's technology-specific approach to estimating the impact of newly introduced scientific and technological advances on Medicare inpatient cost per case in both PPS and excluded facilities. This task order refined the cost estimation techniques and developed more refined estimates of diffusion to be used in estimating cost impacts.

An Evaluation of Methods for Revising DRG 468 — Completed

The purpose of this task order was to examine modifications to the Grouper program that would reduce the high number of cases with unrelated surgical procedures. DRG 468 contains all cases with surgical procedures that are unrelated to the principal diagnosis. This DRG is one of the most

frequent DRGs among Medicare patients, and is very heterogeneous both clinically and with respect to resource use. This study examined three options for reclassifying cases from DRG 468 to other DRGs. The results indicate that substantial improvements are possible by reassigning cases to existing DRGs based on secondary diagnoses. This study was the basis for a recommendation on DRG 468 in the Commission's 1988 March Report.

Trends in Concentration of Specialized Procedures Under PPS — Completed

The Contractor evaluated whether PPS has resulted in greater regionalization and specialization of hospital care and what the associated impact has been on costs and availability of services. Among the procedures studied were several whose outcomes have been shown to be best when performed in high volume centers.

Adjustment Methodologies for Outcome Statistics — Completed

HCFA's 1986 release of hospital-specific mortality data has increased interest in the use of outcome statistics. The use of mortality data and other outcome-oriented data seems likely to expand in coming years. In order to draw appropriate conclusions about quality of care using such data, certain adjustments for differences in severity, case mix, and/or type of hospital are therefore critical. Several projects are underway that attempt to adjust mortality statistics or other outcome measures to provide a clearer and more refined picture of the data. This task order included completing a literature review; cataloging existing methods for adjustments; studying the adequacy of existing databases for these purposes; and assessing strengths and weaknesses of various adjustment methods.

III. SMALL-SCALE PROJECTS

The Commission continued its use of smaller-scale projects during 1987. This has allowed ProPAC to benefit from the knowledge and experience of the many experts currently involved in PPS-related research. Typically, these projects were very specific in their objectives and produced timely empirical and background results on issues on the Commission's agenda. The smaller-scale projects funded during 1987 include:

Capital Investment Modeling Effort - Phase II — Lewin & Associates, Inc — Completed

The Contractor refined the ProPAC investment Model, which included working with ProPAC staff to develop appropriate scenarios of hospital investment behavior and payment methods. These were used to support efforts to investigate financial vulnerability under new capital payment policy. The Contractor submitted a report on financing mechanisms that may be used by hospitals to overcome or avoid periods of financial vulnerability.

Case Mix Change: Optimization Model Development — Information Service Center, Inc — Completed

The purpose of this contract was to create a standardized computer algorithm for simulating real changes in the DRG case-mix index. The Contractor modified and expanded upon the Clinical Data Editor, originally developed by Health Systems International, to develop software that created a computerized, standardized coding algorithm. The computer program recoded Medicare cases according to a standard algorithm that optimizes DRG payments within legal and clinically plausible constraints. The Contractor conducted test runs of the algorithm using a sample of FY 1984/1985 Medicare claims data. Preliminary analyses were conducted comparing actual changes in the DRG case-mix index with simulated measures of index change for cases coded according to optimization algorithm.

Sampling Medicare Cost Reports for Excluded Hospitals — The RAND Corporation — Completed

In the April 1987 report, the Commission recommended that data be routinely collected for a sample of PPS hospitals with accounting years that begin early in the Federal fiscal year. Data from this sample would provide more timely estimates of the cost of PPS hospitals. Under a contract with ProPAC, the RAND Corporation completed the analyses that led to the Commission's recommendation.

In its recommendation, the Commission also stated its plans to determine how an early return sample should be developed for hospitals excluded from PPS but subject to rate of increase limitations. This contract provided the necessary analyses for developing a sample for excluded hospitals. The same methodology was used as in the previous contract for PPS hospitals.

Data on Alternative Financing and Delivery Mechanisms	InterStudy, Inc.
The purpose of this small contract was to collect information on the growth of alternative sites of care including physician offices/group practices, ambulatory surgery, home health care, long-term care and rehabilitation, and hospice. Relevant industry and professional organizations were contacted and asked to provide data on the number and types of facilities in operation and/or the number of patients treated.	Completed
IV. COMPUTER SUPPORT SERVICES	ORI, Inc.
The Commission continued to contract for computer programming services to support its intramural research. Database development and statistical analyses during 1987 included updating ProPAC's simulation model of PPS payments to incorporate additional hospital and regional databases. This model will continue to be used to evaluate the effects of future policy changes on hospitals. Further, the analyses of DRG classifications and weights continued. Finally, ProPAC continued to develop the necessary empirical evidence of the effects of PPS and other related issues.	Completed
V. DATA ACQUISITION	
The Commission committed part of its research budget to the acquisition of additional hospital and patient data to support its analyses of PPS issues. For extramural analysis of hospital purchasing strategies, ProPAC purchased data from IMS America Ltd. These data provided our Contractor with information on the volume and price of drugs and medical/surgical supplies purchased by hospitals.	Completed
VI. TECHNICAL ADVISORY SUPPORT	
The Commission continued to consult technical expertise in the field regarding PPS issues. During 1987, ProPAC purchased the technical services of Frank Sloan regarding the measurement of case-mix change.	Completed

ATTACHMENT B

EXTRAMURAL RESEARCH PROJECTS

FISCAL YEAR 1988

I. RESEARCH PROJECTS

2. Change in Case Mix & Patient Complexity

Co-funded with HCFA

The RAND Corporation

Completed

Methodology for Measuring Case-Mix Change

ProPAC assisted HCFA in a medical record reabstraction study. The purpose of this study was to develop a method to distinguish case-mix increases caused by changes in coding practices from changes in treatment patterns and patient mix. It also provided information for developing and refining alternative ongoing data collection methods to monitor case-mix change over time. The Commission provided $100,000 toward the funding of this project in addition to support in designing, implementing, and monitoring the study.

6. Incremental Costs of Inpatient Care
Data Acquisition

Shared Medical Systems Corp.

Completed

Construction of an Inpatient Daily Cost Data Base

The purpose of this contract was to obtain hospital daily data to support ProPAC's study of incremental costs.

7. Medicare Parts A and B Data Base Linkage

Abt Associates Inc.

Ongoing

The objectives of this research project are: 1) To identify and evaluate the various data bases for Medicare Parts A and B records that would provide information to support ProPAC's analytic needs on care provided by hospitals (inpatient and outpatient), SNFs, HHAs, physicians, suppliers, and other providers; and 2) To develop a process of linking Parts A and B data bases.

The development of a linked data base is a first stage in a number of analytic activities underway at ProPAC (e.g., targeted studies, medical practice patterns, and beneficiary cost-sharing). A linked data base will allow an in-depth analysis of total Medicare Parts A and B program and beneficiary costs related to an episode of care centered around hospital-based care or care received in alternative sites. The data base will also be used to examine services received by a beneficiary throughout an episode of care.

II. TASK ORDER CONTRACTS

1. Research Support Services

SysteMetrics, Inc.

Analysis of Hospital Sensitivity to DRG Price Variations in the Medicare Prospective Payment System

Completed

This study provided information on whether hospital behavior in rendering care and assigning resources is sensitive to differences between hospital costs and PPS prices. The Contractor conducted interviews with health care consultants and hospital administrators to: identify the extent and objectives of hospital strategies to concentrate in or discontinue selected services, assess whether these strategies are in direct response to variations in the DRG prices or other factors influencing hospital management, and examine the use of product line management and service costing in hospitals' response to DRG price variations.

Refinement of Measure of Complexity of Illness Within DRGs

Completed

This task order was a follow-on to an earlier project on developing a measure of within-DRG case-complexity change. Case-complexity change was measured by applying Patient Management Categories (PMCs) and Disease Staging Categories to Medicare patient data that had already been grouped by DRG. The results from the initial task order are consistent with previous work on case-complexity change. The Contractor applied the methodology to 1987 data, estimated the impact of upcoding on the measure, and analyzed the strengths and weaknesses of the measure.

Treatment of Certain Hospital Labor Expenses in the PPS Market Basket — Completed

This task order examined certain hospital labor expenses not directly measured by the PPS market basket (contract labor, employee bonuses, recruitment costs, employee benefits, overtime and part-time employment, and changes in employee skill mix). The project examined how these costs are currently measured in the market basket. It also examined changes in these expenses between 1986 and 1988. The study also included estimates of the effect these labor expenses might have on market basket increases if these labor expenses were directly measured in the market basket wage component. The study also included a description of how the Average Hourly Earnings for Non-Supervisory Hospital Workers and the Employment Cost Index for Hospitals are calculated. A small survey of hospitals was used to collect some of the information.

2. Technology Analysis Support Services — Project HOPE

The Impact of DRG Grouper Changes — Completed

There have been many changes in DRG Grouper logic since the implementation of PPS. These changes would affect comparisons of volumes of DRGs and hospital case-mix indexes over time. In this task order the Contractor first catalogued the Grouper changes and developed a reference used in analyzing patient-level data. The Contractor then estimated the impact of the changes on the distribution of patients across DRGs.

Acute Myocardial Infarction – Payment Issues — Completed

The purpose of this study was to examine new technologies and changing practice patterns affecting the DRGs for myocardial infarction. The Contractor surveyed hospital pharmacies to determine the extent of use of thrombolytic agents. With the results of this survey, the Contractor identified hospitals using thrombolytic agents on a significant number of Medicare patients. A second more detailed survey attempted to identify changing practice patterns associated with thrombolytic use. Finally, the Contractor created a model to project the impact of these changes on Medicare costs.

The Impact of Scientific and Technological Advances on Medicare Inpatient Hospital Costs per Case for FY 1990 — Completed

This task order updated previous analyses of this issue by identifying emerging technologies and changes in the use of existing technologies likely to have a large impact on Medicare inpatient operating costs. The Contractor examined the literature on medical technologies and innovations and performed a telephone query of sources in the medical and industry communities to determine the list of technologies. The findings were analyzed in light of estimates from fiscal year 1989. The Commission used the new estimates in determining the fiscal year 1990 update factor for PPS and PPS-excluded hospitals.

III. SMALL-SCALE PROJECTS

The Commission awarded smaller-scale contracts to support its PPS-related analyses. The projects were short-term empirical and background studies with very specific objectives. The use of smaller-scale projects allows ProPAC to make best use of experts that possess unique knowledge, skills, or data.

Data on Alternative Financing and Delivery Mechanisms — InterStudy, Inc

The purpose of this small contract was to update information on the growth of alternative sites of care including physician offices/group practices, ambulatory surgery, home health care, and hospice. Relevant industry and professional organizations were contacted and asked to provide data on the number and types of facilities in operation and/or the number of patients treated. — Completed

Use of DRGs by State Programs and Blue Cross/Blue Shield — Research Triangle Institute

The Contractor surveyed states to identify programs that were initiated primarily to contain or manage hospital or total health-care expenditures. Medicaid program and all-payer initiatives were examined. The Contractor provided a table that grouped the programs by type and described the major components of each as used in the individual states. — Completed

The Relationship Between Hospital Capital Costs and Occupancy Rates — Gerard F. Anderson

The Contractor updated an earlier analysis of the relationship between occupancy rates and Medicare capital costs. Multiple regression analysis was used to control for factors such as wage index, case mix, and disproportionate share status. The results were used in the Commission's Congressionally mandated report on an occupancy adjustment to capital payments. — Completed

Private Sector Cost Containment Efforts

Health Insurance Association of America

The Contractor surveyed third party payers (private industry, commercial insurers, and Blue Cross/Blue Shield) to identify programs to control or manage hospital costs. Examples included corporate sponsored screening programs, wellness programs, second opinion programs, and increasing insurance deductibles and copayments. The Contractor reported on these efforts and provided information on estimated savings from these programs.

Completed

The Feasibility of Conducting a Major Research Project on Changes in Hospital Staffing

Jack Hadley, Ph.D.

The Contractor reported on the feasibility of conducting a major research project on changes in hospital staffing. The Contractor focused on methods to obtain information on the relationship between prospective pricing and changes in hospital employee numbers and mix, and labor expenses. The Contractor considered various research methods including analysis of existing data, original data collection, interviews, and case studies.

Completed

Assigning Hospitals to Urbanized Areas Within MSAs

Abt Associates, Inc.

The Contractor prepared a report that will provide detailed step-by-step instructions for assigning hospitals within MSAs to urbanized areas as defined by the Census Bureau. This report builds on previously completed work conducted by Abt Associates "Improving the Definition of Hospital Labor Market Areas and Wage Indexes." This report is necessary to respond to technical implementation issues raised by the Secretary in response to ProPAC's recommendation.

Completed

Feasibility Study: Using SMS Data for Incremental Cost Study

Shared Medical Systems Corp.

The Contractor conducted a feasibility study to determine if its data could be used in ProPAC's study on the incremental costs of inpatient care. The Contractor addressed whether it is possible to create a "daily bill" file for each patient. Preliminary work done by SMS indicates that this is possible for most patients.

Completed

The Feasibility of a Major Research Project on the Quality of Care of Specified Procedures

George Goldberg

The Contractor reported on the feasibility of conducting a major research project to describe and compare patients, quality of care and outcomes for surgical procedures that have been shifting from inpatient to ambulatory settings. The Contractor focused on study designs, methods and selection of variables as they relate to cataract/lens procedures performed in inpatient, outpatient, and ambulatory surgery settings.

Completed

IV. COMPUTER SUPPORT SERVICES

ORI, Inc.

The Commission contracted for computer programming services to support its intramural research. The database development and statistical programming included updating ProPAC's PPS payment simulation model, recalibrating the DRG weights, outlier payment policy, specialty hospitals, hospital operating margins, analyzing the DRG classifications and weights, and studying the effects of PPS on quality of care.

Completed

V. DATA ACQUISITION

The Commission committed part of its research budget to the acquisition of additional hospital and patient data to support its intramural analyses of PPS issues. These databases included AHA annual and panel surveys, National Hospital Discharge Survey, 1986, and Patient Management Categories software.

Completed

VI. TECHNICAL ADVISORY SUPPORT

The Commission continued to seek the advice of technical experts in the field regarding PPS issues. Among other areas, ProPAC obtained technical services regarding the Medicare Cost Report and future research areas.

Completed

ATTACHMENT C

EXTRAMURAL RESEARCH PROJECTS

FISCAL YEAR 1989

I. RESEARCH PROJECTS

2. Change in Case Mix & Patient Complexity — Co-funded with HCFA

Measuring Components of Case-Mix Change — The RAND Corporation

This study is a replication of a previous study of real case-mix index change. It is being conducted by the RAND Corporation and funded through RAND's Health Policy Center cooperative agreement with HCFA, with financial and technical assistance from ProPAC. The project has two phases: (1) the estimation of components of the change in the Medicare case-mix index (CMI) between FY 1987 and FY 1988, using SuperPRO data; and (2) the estimation of the change in the CMI that would have taken place had the revised DRGs developed by Yale University been in effect in FY 1987 and FY 1988 and the estimation of the components of that change. — Ongoing

7. Medicare Parts A and B Data Base Linkage — Abt Associates

Continuation of study, second year funding. — Ongoing

8. Hospital Cost Variations Under PPS — Georgetown University Center for Health Policy Studies

Hospital PPS operating costs per case have substantially increased from the first to the third year of PPS. Estimates indicate that this increase was in excess of 10 percent per year. Although volume declines account for some of this increase, there are other factors that are contributing to this change. This study will examine variation in hospital costs to identify the factors related to the changes in costs per case during the 1980's with specific attention to hospital staffing, patient volume, and revenues. This study will provide ProPAC with a better understanding of why hospital costs vary across hospital types as well as over time. Special emphasis will be placed on assessing the influence of federal, state, and other programs on cost variations. — Ongoing

9. Assessment of the Accuracy of Cost Measures Derived from Medicare Cost Report Data — Center for Health Policy Studies, Inc.

This study will identify the extent to which Medicare's cost finding methods distort the costs of treating program beneficiaries. It will focus on determining the accuracy of costs at various levels of detail (e.g., aggregate Medicare cost per case, departmental costs, cost per case by DRG) and the comparability of cost data for different hospital groups. The accuracy of MCR cost measures will be assessed by simulating the effects of several changes in the cost finding technique (e.g., multiple allocation in place of the step-down method) and by comparing costs derived from advanced hospital cost accounting systems to those from the MCR cost finding methodology. — Ongoing

The study is intended to improve the usefulness of cost report data for setting Medicare payment policy. The results are expected to suggest ways that Medicare cost data could be adjusted to more accurately reflect the cost of treating beneficiaries, and in the longer term may also contribute to recommendations regarding cost report design.

II. TASK ORDER CONTRACTS

1. Research Support Services — SystoMetrics, Inc.

Urban and Rural Cost Differences — Completed

The reasons for differences in urban and rural hospital's costs per case was synthesized from current research in this task order. Specifically, the Contractor explored the base for the lower costs of rural hospitals compared with urban hospitals and suggested areas for further research.

Nonlabor Adjustment — Completed

The Contractor examined the data available on regional variation in hospital nonlabor costs. These data were analyzed across geographic regions for evidence of nonlabor cost variation and then combined with data on each nonlabor component's share of the total hospital market basket. The results of this task order were used in ProPAC's Congressionally mandated report on the appropriateness and feasibility of implementing a nonlabor adjustment to the standardized amounts.

Alternative Hospital Market Area Definitions — Ongoing

This task order will identify alternative methods for defining hospital market areas used in the literature and by researchers. The project will include a detailed description of the methodology and data used to develop these alternative hospital market areas. It will also include an evaluation of the potential strengths and weaknesses of each approach for defining hospital product markets, defining hospital labor markets, and identifying areas with access problems.

Explaining Differences in Costs Between Hospital Outpatient Departments and Free Standing Ambulatory Centers — Ongoing

This project will provide information to support ProPAC's work on alternative payment policies for outpatient services. The task order has several parts. First, a literature review will be conducted that will identify factors that explain differences in costs between outpatient departments and free standing ambulatory centers and document the extent to which they account for cost differences. A list of factors will then be developed from this work; the factors will be ordered from most significant to least significant. Also, the contractor will recommend approaches to measuring the extent to which each factor explains cost variations and the types and sources of data that would be required. Finally, assessments of the feasibility of acquiring data, acquisition costs, and problems providers would face in collecting and reporting data will be presented.

2. **Technology Analysis Support Services** — Project HOPE

Estimating the Impact of Scientific and Technological Advances, Monitoring Growth in Free Standing Ambulatory Centers, and Assessing Technology and Ambulatory Services — Ongoing

This task order will update previous analysis of the impact of emerging technologies on Medicare inpatient operating costs. The contractor will also examine the growth in alternative sites of care such as ambulatory surgery centers and home health agencies. The impact of technology changes on the growth of these sites of care will also be estimated.

Physician Credentialing — Ongoing

This task order is to examine the nature and extent to which different types of health care facilities selectively grant privileges to perform surgical and other procedures to practicing physicians. Informal telephone interviews will be conducted with medical professional organizations on information on the existence and impact of professional society guidelines for credentialing. The credentials required for privileges by ambulatory surgery centers will be compared to those for hospital inpatient and outpatient surgery departments. Areas where existing processes may need to be strengthened will be identified.

III. SMALL-SCALE PROJECTS

The Commission awarded smaller-scale contracts to support its PPS-related analyses. The projects were short term empirical and background studies with very specific objectives. The use of smaller-scale projects allows ProPAC to make best use of experts that possess unique knowledge, skills, or data. The topics studied, like the task orders, flow from the Commission's analytic agenda and the decisions for major research.

Analyses of Hospital Margins Derived from AHA and MCR Data — AHA

Past analyses by ProPAC and HCFA have documented that the national average total margin derived from the Medicare Cost Report (MCR) is systematically higher than the same statistic derived from the American Hospital Association's (AHA) Panel Survey. The contractor will compare total margins data from the MCR and AHA Annual Survey. The contractor will match data on a hospital-specific basis for the same period. After the results of this matching process have been reported, the contractor will conduct a telephone survey of 40 hospitals for which a significant discrepancy in margin values was found, to determine the reason(s) for the discrepancy. The contractor also will calculate average margins by hospital group (particularly urban/rural and teaching/non-teaching) from the AHA Panel Survey. — Ongoing

Changes in Hospital Productivity	Health Economics Research, Inc.	
This contract updated earlier work on hospital productivity trends. The Contractor updated data from the AHA Monitrend series to identify trends for specific subgroups of PPS hospitals. The Contractor also updated data from the AHA Annual Survey to identify measures of labor productivity for PPS and PPS-excluded hospitals. These analyses were used by the Commission in deciding the fiscal year 1990 update factor for PPS and PPS-excluded hospitals.	Completed	
Hospital Closures 1980 Through 1988	Georgetown University Center for Health Policy Studies	
This project was directed at better understanding the characteristics of hospitals that closed, the factors leading to closure, and the effect of such closures on availability of care in selected service areas. Closures occurring since 1980 were examined. AHA Annual Survey and Medicare Cost Report data were used for the analyses.	Completed	
Medicare Beneficiary Demographics	University of California, San Francisco	
The Contractor reviewed trends in mortality and life expectancy as a basis for understanding the changing demographic structure of the population and future projections of an aging population. The Contractor also examined health status, incidence of acute conditions, and chronic illness trends. These morbidity patterns were discussed in terms of the impact of an aging population on the medical care system at the national level. Where possible, financing of services specific to the Medicare program were described. A brief review of projections of the supply of health care practitioners in the context of an aging population were also included under this contract.	Completed	
State Hospital Payment Systems	Intergovernmental Health Policy Project	
A section on state hospital payment systems is included in chapter 8 (Health Expenditures, Financing, and Payment) of the June Impact report. The Contractor identified, collected, synthesized, and summarized, from existing data sources, information on state systems for paying for hospital inpatient and outpatient services. Of particular interest were states with prospective systems and those that use DRGs and other case-mix systems. Capitated payment systems and uncompensated or indigent care programs were also included in this effort. Finally, the Contractor discussed how states are adjusting to the changes mandated by the Catastrophic Health Act.	Completed	
Assignment of Patient Management Categories (PMCs) to Medicare Patient Records	Pittsburgh Research Institute	
The Contractor assigned up to five (5) Patient Management Categories (PMCs) to each Medicare patient record provided by ProPAC. The patient records were from a 10 percent sample cohort of hospitals during fiscal years 1984, 1985, and 1986. There were approximately 1 million patient records for each fiscal year, for a total of about 3 million patient records. The resulting data set was used in the task order to develop a measure of within DRG case-complexity change.	Completed	
Private Sector Cost Containment Efforts – Follow-up	Health Insurance Association of America	
The Contractor will survey third party payers (private industry, commercial insurers, and Blue Cross/Blue Shield) to identify programs to control or manage hospital costs. The Contractor will report on these findings and provide information on estimated savings from these programs. This is a follow-up to previous work that was reported in the June report.	Ongoing	
Forecasts for Alternative Prospective Payment System Market Baskets	Data Resources, Inc.	
The Contractor developed PPS hospital market basket forecasts under four alternative market basket constructions provided by ProPAC. These market basket forecasts required the Contractor to develop a methodology and models for forecasting changes in employee compensation for ten different Employment Cost Index compensation series (ECI-C). The forecasts were used to assist the Commission in its deliberations in making a market basket recommendation.	Completed	
Review of ProPAC's Methodology for Measuring Hospital Productivity	Frank Gianfrancesco	
The contractor thoroughly documented the existing data and methodologies for measuring productivity. This will help ProPAC develop its internal capability to measure productivity, for use in setting the Discretionary Adjustment Factor. The contractor also assisted ProPAC in adapting to fundamental changes in the design of the AHA's Monitrend system used for the analysis.	Completed	

Hospital Closures 1980 Through 1988 – Follow Up

Georgetown University, Center for Health Policy Studies

This is a continuation of ProPAC's Closures Analysis using AHA Annual Survey and Medicare Cost Report data. Characteristics of hospitals that closed between 1980 and 1988 will be studied, comparing them to comparable open hospitals. In-depth financial analysis using the Medicare Cost Report and service provision analysis using the AHA Annual Survey will be performed. Urban hospital closures and rural hospital closures will be studied separately and compared where appropriate. If resources allow, the Area Resource File will be used to examine specific factors pertaining to the availability of care.

Ongoing

IV.-V. COMPUTER SUPPORT SERVICES AND DATA ACQUISITION

ORI, Inc.

The Commission continued to contract for computer programming services and purchased the necessary data to support its intramural research. The data base development and statistical programming included updating ProPAC's PPS payment simulation model and analyzing the DRG classifications and weights. Specific intramural project areas included examinations of: indirect teaching adjustment, hospital readmissions and transfers, Medicare Cost Report data, and hospital closures.

Completed

VI. TECHNICAL ADVISORY SUPPORT

Completed

The Commission received the advice of technical experts regarding patient classification systems than can be used in outpatient settings. This was achieved through a panel presentation and discussion before the full Commission.

VII. GRANTS

1. **The Relationship Between Declining Occupancy in Rural Hospitals and Per Capita Admission Rates and Costs of Medical Care for Medicare Beneficiaries in Rural Areas**

The Codman Research Group, Inc.

Ongoing

The study will document the per-capita rates of use, costs, and patient destinations for all admissions within rural regions in five states, and contrast the rural and urban patterns for both utilization and case-mix. The study will determine whether the declining occupancy levels in rural hospitals is attributable to declining overall use rates or changes in the destination of patients living in those areas. The study will cover Medicare admissions between 1984 and 1986 in Texas, Illinois, Montana, Alabama, and northern California.

ATTACHMENT D

EXTRAMURAL RESEARCH PROJECTS

FISCAL YEAR 1990

I. RESEARCH PROJECTS

Research topics that are not developed as major projects may be developed as small scale projects.

9. Assessment of the Accuracy of Cost Measures Derived from Medicare Cost Report Data — Center for Health Policy Studies, Inc.

Continuation of study, second year funding — Ongoing

Winners and Losers — Under Consideration

After six years, there is still much that is not known about what determines financial success or failure under PPS. This three-phase study would attempt to learn more about why some hospitals do well under PPS and others do not. The first phase would examine the available data on hospitals that have had consistently high or low PPS operating margins to describe several prototypes of the successful or unsuccessful hospital. The second phase would be to conduct case studies of several of the hospitals identified in the previous phase, to obtain more information on each hospital's management approach, services, patients, local market conditions, and the role of Medicare versus other payers. The third phase would involve an econometric analysis and synthesis of the available data to identify payment adjustments that could be used to improve the hospital-level accuracy of the payment system.

Physician and Hospital Caseloads of Specialized Procedures — Under Consideration

Studies have linked hospital caseloads to better operative outcomes and lower costs for some specialized surgeries. A new study suggested that physician caseloads are also important. There is little information on whether hospital and physician caseloads are independently associated with improved outcomes. Information on a hospital or physician total caseload (not just Medicare) of a particular procedure is also important. This major project would develop more evidence about whether both hospital and physician caseloads are important. This would require identification and use of a data base with complete data for both physicians and hospitals. The study would also assess the feasibility of developing data on total hospital and physician caseloads on a national basis for policymaking.

II. TASK ORDER CONTRACTS

1. Research Support Services — SysteMetrics, Inc.

Within DRG Case-Complexity Change – Update and Distributional Differences — Ongoing

Case-mix index (CMI) change continues to be a major contributing factor to increases in hospital payments. However, it is still a poorly understood phenomenon. The Contractor will update the within DRG case-complexity change measures developed in previous studies. The Contractor will supply descriptive statistics on changes in numbers of comorbidities and secondary diagnoses coded, types of comorbidities and secondary diagnoses coded, and differences across hospital types. This data will be useful in trying to understand CMI change.

Rural Hospitals – Alternative Market Share Definitions — Under Development

One of the requirements for sole community hospital designation is that the hospital must meet a requirement for market share; for hospitals located between 25 and 35 miles from another hospital, 75 percent of its admissions must come from its service area. This task order will investigate existing alternative definitions of market share. The results from this task order will be used in the report to Congress on payments to rural sole community and small rural hospitals.

III. SMALL-SCALE PROJECTS

The Commission will award smaller-scale contracts to support its PPS-related analyses. The projects will be short term empirical and background studies with very specific objectives. The use of smaller-scale projects allows ProPAC to make best use of experts that possess unique knowledge, skills, or data. The topics to be studied, like the task orders, will flow from the Commission's analytic agenda and the decisions for major research.

Adjusting the Area Wage Index for Occupational Mix — The Urban Institute

This contract is to provide assistance to ProPAC in analyzing the need for an occupational mix adjustment to the wage index. The Contractor will review the data and methods for the intramural analysis and provide technical assistance in using the Census and AHA data files. — Ongoing

Readmissions and Transfers — Under Consideration

This contract would assist staff in its analysis of readmissions and transfers. It includes an analysis of readmissions and transfers for related and unrelated admissions. In defining related and unrelated second admissions a Contractor would identify specific ICD-9-CM codes that indicate a complication from a previous hospital stay. This analysis would be conducted for about 10 DRGs. Additional analyses would examine the incidence of emergency room transfers and/or transfers to and from specialty units or hospitals between 1984 and 1986.

Non-Patient Revenues — Under Consideration

Hospital total margins have consistently been higher than patient margins because of income not associated with patient care. This project would survey sources of hospital income other than patient care, including philanthropy, investments, grants, and business ventures. This would identify the amount of non-patient income and its distribution within broad source categories by type of hospital. It could also include in-depth descriptive analyses of particular types of income or case studies of hospitals, illustrating how they generate income.

International Comparisons — Under Consideration

HCFA has undertaken a series of activities in the area of international comparisons of various health care delivery measures. Prominent among them is a contract with the Organization for Economic Cooperation and Development (OECD) in Paris, France to obtain a broad array of health system information for 24 countries. HCFA will be releasing a special edition of the Health Care Financing Review in December 1989 that will include the results of this contract. HCFA plans to update this information for the next five years. Specific Commission areas of interest, that are not currently addressed in the HCFA contract with the OECD, could be included in future contracts through a cooperative agreement with HCFA.

IV.-V. COMPUTER SUPPORT SERVICES AND DATA ACQUISITION — ARC Professional Services Group

The Commission continues to contract for computer programming services and plans to purchase the necessary data to support its intramural research. — Ongoing

VI. TECHNICAL ADVISORY SUPPORT — Ongoing

The Commission will continue to seek the advice of technical experts in the field regarding PP... issues.

WEDNESDAY, APRIL 4, 1990.

RAILROAD RETIREMENT BOARD

WITNESSES

CHARLES J. CHAMBERLAIN, LABOR MEMBER
JOHN D. CRAWFORD, MANAGEMENT MEMBER
KENNETH P. BOEHNE, CHIEF EXECUTIVE OFFICER
PETER A. LARSON, CHIEF FINANCIAL OFFICER

INTRODUCTION OF ASSOCIATES

Mr. DWYER [presiding]. The meeting will please come to order.

This morning, we will hear from the Railroad Retirement Board. We have Mr. Charles J. Chamberlain, Labor Member; and John D. Crawford, Management Member. Gentlemen, it is your program.

Mr. CHAMBERLAIN. Thank you.

We are absent a Chairman at the Railroad Retirement Board, so I will take the lead in our presentation to you. I have with me Mr. John Crawford to my left, Management Member; and Mr. Ken Boehne, our Chief Executive Officer; and to his left, Mr. Peter Larson, our Chief Financial Officer.

REMARKS OF CHARLES J. CHAMBERLAIN

Mr. Chairman, we will submit for the record the Administration's proposal. I have a copy of that, and I will give it to the lady here.

[The prepared statement follows:]

OPENING STATEMENT OF CHARLES J. CHAMBERLAIN, LABOR MEMBER,

AND JOHN D. CRAWFORD, MANAGEMENT MEMBER,

ON THE ADMINISTRATION'S BUDGET PROPOSALS FOR THE

RAILROAD RETIREMENT BOARD FOR FISCAL YEAR 1991

Mr. Chairman and Members of the Committee, we are pleased to be here today to present the Administration's budget proposals for the Railroad Retirement Board for fiscal year 1991. We would like to begin our statement with a brief description of the agency and the programs we administer.

Background on the Railroad Retirement Board

The Railroad Retirement Board is an independent agency in the executive branch of the Federal government. The Board is administered by three members appointed by the President, with the advice and consent of the Senate. One position, that of the Chairman, is currently vacant.

Our primary function is to administer retirement/survivor and unemployment/sickness insurance benefit programs for the nation's railroad workers and their families, under the Railroad Retirement and Railroad Unemployment Insurance Acts. We also have administrative responsibilities for certain social security benefit payments and railroad workers' Medicare coverage.

During fiscal year 1989, the Board paid $6.9 billion in retirement/survivor benefits and $89 million in unemployment/sickness insurance benefits. At the end of the fiscal year, there were about 903,500 beneficiaries receiving railroad retirement and survivor benefits. During the benefit year that ended in June 1989, about 35,000 railroad workers received unemployment insurance benefits and about 34,000 received sickness insurance benefits.

Financial Status of the Trust Funds

The equity balance of the retirement trust funds increased from $8.3 billion to $9.2 billion during fiscal year 1989. The system's long-term financing, as well as issues related to short-term and long-term solvency, are currently being studied by the Commission on Railroad Retirement Reform. The Commission, which was established by the Omnibus Budget Reconciliation Act of 1987, is scheduled to issue its report by October 1, 1990.

The equity balance of the Railroad Unemployment Insurance Account also improved during fiscal year 1989, but still showed a deficit -- $276 million -- at year end. The deficit balance results from high unemployment in the early 1980's which required the unemployment account to borrow funds from the Railroad Retirement Account. As of December 31, 1989, the loan and interest balance due the Railroad

Retirement Account was $415.3 million. We project that the loan will be repaid by 1994.

Use of Additional Staff Resources

Last year, the Congress provided an increase in the Board's full-time equivalent (FTE) staff ceiling from 1,600 in fiscal year 1989 to 1,625 for fiscal year 1990. The additional FTE's were provided to help the agency implement recently enacted legislation and to proceed with the agency's new automation approach. In keeping with these objectives, we have allocated 15 FTE's to work on new automation projects, including making improvements to our retirement tax accounting system. We also assigned 10 FTE's to administer the most significant aspect of the new legislation, the experience rating provisions for our railroad unemployment insurance program. We would like to take this opportunity to describe our efforts in these areas.

Status of Automation Efforts

In January 1988, the Board adopted a multifaceted, incremental approach to gradually automate retirement claims processing. In 1988 and 1989, several automation initiatives were implemented. For example, we completed projects involving on-line computer entry of retirement and Medicare claims by our field offices and a change to allow us to accept and pay most initial retirement claims without the delays involved in obtaining current year service and compensation information. Combined, these initiatives have significantly reduced the average processing time for initial annuities. For example, we made initial (partial) payments within 30 days to 51.6 percent of our age and service applicants in fiscal year 1988, and to 66.5 percent of this group in fiscal year 1989. In addition, a new system which generates automated rate verification letters was completed. As a result of other initiatives, the preparation of retirement and survivor award notices has been automated; our field personnel can now input more information directly into our computer, such as information on deaths and returned checks; and service and earnings records for approximately 12 million current and former railroad employees are accessible on-line.

Other automation projects were also initiated during fiscal year 1989, but work on them was suspended in May 1989 to provide staff resources to address changes needed in our retirement tax accounting system identified in internal quality assurance studies. This shift in resources resulted in improvements in the production and release of the January 1990 tax statements. To improve service, we also added an informational message to the IRS's toll-free number, improved the print quality of tax statements, and released special letters to those annuitants whose tax statements will be delayed because they require manual processing.

In December 1989, we updated our retirement claims automation plan. The new plan calls for proceeding in three areas simultaneously: (1) short and long-term improvements to the retirement tax accounting system, (2) completion of new automation initiatives, and

(3) completion of some much-needed work to maintain our initial retirement payment system. We are moving forward with this plan which is described in more detail on pages 73 to 77 of our budget justification.

Implementation of Recent Legislation

Significant changes in the programs we administer have resulted from the enactment in November 1988 of the Railroad Unemployment Insurance and Retirement Improvement Act of 1988.

For our unemployment and sickness insurance program, the legislation extended the tax to repay the loans from the Railroad Retirement Account to the unemployment account; increased the maximum daily benefit rate; established a 2-week waiting period for benefits; provided for experience rating for employer contributions; and indexed the tax base, qualifying earnings requirements and future benefit levels to national wage levels. In addition, as a result of this legislation, employers are now notified before unemployment/sickness insurance claims are paid to give them an opportunity to submit information relevant to the benefit payment determinations. The first major phase of the experience rating system (which will be a new ongoing activity) became operational in January 1990. When completed, we will have expended approximately 26 staff years implementing these unemployment and sickness insurance changes.

This legislation also included amendments to the Railroad Retirement Act and Social Security Act that affected the railroad retirement program. The railroad retirement amendments concern restrictions on employment and earnings by retirees, crediting of military service, and treatment of separation or severance pay for retirement purposes. The social security amendments affecting the railroad retirement program involve offsets for government pensions, deductions for post-retirement earnings, and denial of benefits due to deportation. We will complete the implementation of these amendments within the next few months. We estimate that, when completed, we will have expended approximately 28 staff years in making the necessary changes to the railroad retirement program.

Accomplishments Last Year

During fiscal year 1989, we realized a number of additional improvements in our program and financial management operations.

Backlogs and Changes in Workloads

In fiscal year 1989, we reduced workloads in our previously-identified backlogged work categories by 29 percent, from approximately 274,000 cases to 195,000 cases. These backlogs are primarily in the retirement program and involve cases that require review or adjustment. Our goal is to reduce our on hand balances in these work categories to 160,000 cases in fiscal year 1990, and 126,000 cases by the end of fiscal year 1991.

Program Integrity Activities

Fiscal year 1989 program integrity activities included earnings monitoring, payroll matches with railroads and States, contacts with States to identify duplicate unemployment payments, and other types of monitoring and matching checks related to disability, age and death. Some results of our program integrity activities are as follows.

-- In fiscal year 1989, matches with the Social Security Administration and the Health Care Financing Administration death records identified 486 overpayments due to unreported deaths. Approximately $303,000 has been recovered, and recovery of an additional $793,781 is in progress.

-- Payroll matches with several major railroads identified $457,683 in railroad unemployment and sickness insurance benefits to be recovered.

-- Wage matches with several States identified 793 unemployment/sickness insurance beneficiaries who were improperly paid $370,850.

-- Questionnaires mailed to 1,608 annuitants that may have earnings more than exempt amounts helped identify 976 annuitants with excess earnings.

We have continued to cooperate with our Office of Inspector General by referring suspect cases for investigation and providing information and assistance as requested. In fiscal year 1989, more than 240 cases have been referred to the Inspector General for investigation.

Financial Management Program

During 1989, we achieved overall compliance with the Prompt Payment and Debt Collection Acts by enhancing our existing financial management software and successfully implementing a new accounts receivable system to track and collect benefit overpayments.

The new accounts receivable system improved the accessibility, quality and timeliness of information on our receivables. The system automates many functions previously performed manually, such as accounts receivable tracking and billing, and permits the application of interest and penalties. The system has improved the efficiency of the Board's accounts receivable activities, provided better management control over receivable processes, and ensured compliance with applicable laws and regulations.

Internal Controls

During 1989, Board management took a very critical look at the overall internal controls of the agency under the guidelines of the Federal Managers' Financial Integrity Act (FMFIA). This intensive review resulted in the identification of 12 new material weaknesses and the establishment of corrective action plans for each. In

addition, eight other action plans have been carried forward to address previously identified material weaknesses. Since the FMFIA was enacted in 1982, the Board has identified 65 material weaknesses and has corrected 45 of them.

1991 Appropriations Requests

For fiscal year 1991, $88,657,000 and 1,642 FTE's are requested in the Administration's budget to administer the railroad retirement and unemployment insurance programs. This is $11,524,800 more than the amount available for fiscal year 1990, and is split $72,200,000 and $16,457,000 between the administration of the railroad retirement and unemployment insurance programs, respectively. The proposed level of 1,642 FTE's is 17 more than the fiscal year 1990 level of 1,625 FTE's. This increase in FTE's is needed to carry on the efforts expressly provided for during the fiscal year 1990 appropriation process -- (1) implement recently enacted legislation requiring, among other things, a new experience rating system for our unemployment and sickness insurance program, and (2) proceed with our automation plans. In addition, staff are needed to improve and operate our retirement tax accounting system, administer the new experience rating system and reduce our work backlogs.

The primary reason for the increase of $11,524,800 in the appropriation amount over fiscal year 1990 is a request of $9,800,000 to acquire a new mainframe computer. Our current processor, an IBM 3081KX, which was installed in November 1985, normally utilizes an average of 82 percent of its processing capacity. Data processing guidance generally places the peak utilization range between 75 and 85 percent. During our peak workload periods, our current processor is utilized at 100 percent of its capacity. Our data processing staff has performed a computer sizing study to determine what level of computer processing capacity is required to meet our needs. In addition, they conducted a cost-benefit analysis to determine the most cost-effective configuration. Based on their analysis, they recommended purchasing an IBM 3090-400S, or equivalent. Factors considered in the sizing study included support for our current automated systems, the new experience rating system that is being phased into operation during 1990, the retirement automation initiatives described on pages 73-77 of our Budget Justification, and other longer-term automation projects that will be developed during the next 5 years.

To verify the results of their analysis and to ensure that the computer purchased will meet our needs, on November 15, 1989, we contracted with the Federal Systems Integration and Management Center (FEDSIM) to review the methodology and assumptions used in the sizing study. FEDSIM is an independent evaluation group within the General Services Administration that specializes in providing technical consulting services to other Federal agencies. We expect to receive FEDSIM's final report by April 1990 and will provide copies to this Committee.

Appropriations language in both limitations provides for funding for the new mainframe, contingent on (1) the completion of a system capacity study, (2) a requirements analysis for use by the General

Services Administration ($200,000 has been earmarked to assist the Board in completing the system capacity study and the requirements analysis), and (3) certification by our Inspector General that we have completed the first two requirements. Appropriations language also provides that an additional $250,000 be made available to make improvements in our railroad retirement tax accounting system.

Included in our requests for administrative expenses is $857,000 to cover 50 percent of the projected pay increase in January 1991. It is assumed that the remaining 50 percent of this increase will be absorbed in our budget.

The Inspector General has prepared a separate justification requesting $7,698,000 and 119 FTE's for audit and investigative activities. This is separate from the funds requested to directly administer our programs.

Dual Benefits Payments Account

The Administration's budget requests an appropriation of $321,000,000 for vested dual benefit payments in fiscal year 1991. This is $19 million less than this year's appropriation. This request will fund individual benefits based on our best estimate of such costs. The proposed appropriation language provides that an additional reserve amount not to exceed 2 percent or $6,420,000 be made available only if the number of beneficiaries exceeds the number anticipated in the budget estimates. The proposed appropriation language also provides that 25 percent of the total amount provided for these benefits be transferred from the Railroad Retirement Account. An estimated $18,000,000 of the amount appropriated would be derived from income taxes on vested dual benefits, as provided by current law. The balance of the appropriation would be funded from general revenues.

Federal Payments to the Railroad Retirement Accounts

The Railroad Retirement Solvency Act of 1983 amended the Railroad Retirement Act to provide for monthly transfers to the railroad retirement accounts from the Department of the Treasury of principal and interest amounts for benefit checks that were not negotiated. Such amounts were to be provided in advance in appropriation acts. Beginning in fiscal year 1991, the Competitive Equality Banking Act of 1987 authorizes that the principal amount of uncashed railroad retirement checks be funded by amounts appropriated to the Department of the Treasury. We therefore seek $100,000 in fiscal year 1991 for the Federal Payments to the Railroad Retirement Accounts only for the interest related to the unnegotiated checks. The amount would remain available through fiscal year 1992.

Legislative Proposals

Within the fiscal year 1991 budget, the Administration proposes legislation to

-- extend full Social Security coverage to all rail retirees, cover new rail employees under an Employee Retirement Income

Security Act-based pension system administered by the rail sector, and establish a separate pension system for current retirees that relies on rail sector support;

-- alter the cost-of-living adjustment formula for rail industry pensions;

-- freeze cost-of-living adjustments on rail pensions for 1 year;

-- decrease the general fund appropriation for vested dual benefits by 25 percent, and instead use rail industry pension funds to finance the difference;

-- limit the number of railroad retirement benefits available to married couples, who both worked for railroads, to two benefit payments per couple; and

-- extend and expand the railroad unemployment insurance reimbursable status for publicly owned commuter railroads whereby they reimburse the railroad unemployment insurance account for the actual unemployment/sickness insurance costs of their employees (the provision would be extended through 1992 and be expanded to apply to Amtrak beginning in 1991).

Biography of Charles J. Chamberlain

Charles J. Chamberlain was appointed to the Board upon the recommendations of railway labor organizations in October 1977, reappointed for a 5-year term beginning August 1979, and reappointed again for a subsequent 5-year term beginning August 1984. On February 1, 1990, the President announced his intention to nominate Mr. Chamberlain for another 5-year term from August 29, 1989. He previously served as President of the Brotherhood of Railroad Signalmen, and Chairman of the Railway Labor Executives' Association, a coordinating and policymaking body on legislative and other matters affecting railroad workers. Mr. Chamberlain began his railroad career as a signalman for the Chicago and North Western Railroad in 1938. Later, he became active in the railroad labor movement and held numerous union offices before becoming President of the Brotherhood of Railroad Signalmen in 1967.

Biography of John D. Crawford

John D. Crawford was appointed to the Board upon the recommendations of the Association of American Railroads and the National Railway Labor Conference in June 1985. He completed his first term as Management Member in August 1988, and was nominated by President Reagan to fill another 5-year term ending in 1993. An attorney, Mr. Crawford had been associated with the Chicago and North Western Transportation Company for almost 30 years, having served as C&NW Assistant Vice-President for Labor Relations, and Director of Labor Relations. He also served as Carrier Member of the Third Division of the National Railroad Adjustment Board. Mr. Crawford is an alumnus of Loyola University, B.A. 1948, and Georgetown University Law School, L.L.B. 1951. He is a retired Captain in the U.S. Naval Reserve.

Biography of Kenneth P. Boehne

Kenneth P. Boehne was appointed Chief Executive Officer of the Railroad Retirement Board in December 1987. In this capacity, he is responsible for the overall administrative direction and coordination of the agency's headquarters organization and field operations. Mr. Boehne also was, from April 1985 until May 1988, the agency's Chief Financial Officer with overall responsibility for the financial management of the agency. From July 1979 until April 1985, Mr. Boehne directed the audit and investigative activities of the agency. He began his Federal Government career in 1970 with the U.S. General Accounting Office, where he worked for 9 years. In 1989, the Joint Financial Management Improvement Program (JFMIP) selected Mr. Boehne for the Donald L. Scantlebury Memorial Award for distinguished leadership in financial management improvement. In 1981, Mr. Boehne was selected by the Arthur S. Flemming Commission for honors as one of the outstanding Federal employees in the nation under age 40. Mr. Boehne is an alumnus of Carthage College.

Biography of Peter A. Larson

Peter A. Larson was appointed Chief Financial Officer of the Railroad Retirement Board in June 1988. As Chief Financial Officer, Mr. Larson is responsible for the financial management of the agency. Prior to his appointment, Mr. Larson served as Assistant Regional Manager for Operations at the U.S. General Accounting Office in Chicago. While with GAO, he received several awards including a GAO Meritorious Service Award and a Comptroller General's Award for Outstanding Leadership. A Certified Public Accountant and Internal Auditor, Mr. Larson is an alumnus of the University of Illinois.

APPROPRIATION REQUEST

Mr. CHAMBERLAIN. I would like to make a few comments with respect to our appropriation request. As Labor Member of the Board, I would like to make a few personal observations regarding our submission for fiscal year 1991.

The expenses for administering our system are paid entirely by the employees and employers of the railroad industry. The expressed desires of the railroad community for the applicable laws have long been reflected by the Railroad Retirement Board in deciding the level and quality of service provided and the measures necessary to maintain the integrity of our benefit payment programs.

This is consistent with our understanding of past Congressional concern that decisions as to the scope and costs of government programs should be made by those who pay for and are served by those programs.

On August 30, 1989, the Board Members submitted the Board's fiscal year 1991 budget request to Congress for 1642 FTEs and $94,500,000, exclusive of the request by the agency's Inspector General. We strongly believe that this request represents a responsible, prudent package that provides much-needed support for the further modernization of our claims processing systems and adequately addresses our ongoing data processing workloads.

One of the major challenges we have faced and will continue to face during the next few years is improving the quality of our tax reporting and accounting operations. It is very evident that we have many problems with our tax accounting systems.

The Board Members, together with our agency's Chief Executive Officer and top agency staff have been concentrating much effort toward making significant improvements in this area. To facilitate your understanding of this problem, we are submitting a complete summary of the implementation of withholding, accounting for and reporting on the taxation of benefits paid under the Railroad Retirement Act.

The Board is concerned about the quality of our tax statements to our beneficiaries. We want to provide complete and accurate and timely statements to every one of our beneficiaries, but there are no easy or immediate answers to solving problems that have developed over the years.

Your continued support of our agency's request will not only assist with the major redevelopment of the retirement taxation system, and the processing of taxation work, but will also provide staff and funding to support our unemployment and sickness insurance programs, as we undertake the implementation of experience rating, improve our debt collection practices, and account receivables and quality assurance reviews in all areas of our operations.

We would also like to make a comment and take this opportunity to commend the Board's Inspector General and his staff for their continuing efforts in auditing railroad retirement taxation and reporting, as well as working with Treasury and the IRS to insure proper accounting and handling of our agency's trust funds accounts.

We want to thank this committee for your past support and for reasonable levels of funding and staffing. We look forward to working with you in this coming year.

I want to turn it over to Mr. Crawford for his comments.

[The information follows:]

RAILROAD RETIREMENT TAXATION REPORT

One of the key activities facing the Railroad Retirement Board in the next few years is improving the quality of its tax statements. Prior to 1984, railroad retirement benefits, with the exception of supplemental annuities, were not subject to Federal income tax. However, as a result of the Railroad Retirement Solvency Act of 1983, all railroad retirement annuities became taxable beginning with tax year 1984. Under the 1983 legislation, the tier 1 portion of a retirement annuity was to be taxed like a social security benefit, and the tier 2 was to be taxed as a contributory pension payment. The vested dual benefit was to be taxed as a noncontributory pension payment, as was the supplemental annuity. The RRB was in a unique position because its benefits had to be reported under three different provisions of the Internal Revenue Code using different reporting forms.

Initial Development of Taxation System

In order to implement this legislation, the agency needed to develop a new system to account for all railroad retirement benefit payments by tier component and transaction date. The system needed sufficient information to allow the RRB to fulfill its legal requirements under the Internal Revenue Code. Although a system was in place in time to release tax statements in January 1985, as required by law, the system was not fully developed. Subsequent modifications corrected some of the problems, but several areas that directly impact on the quality of the tax information the agency collects and reports on are still incomplete. For example, the tax system does not collect information on one-payment-only awards such as accrued annuity payments and work deduction adjustments. Also, the system does not have a fully functional correction program to allow changes to be made to specific beneficiary records. There is only a very limited audit facility to compare information in the tax system with other files, and there is no comprehensive internal control program.

Modifications Caused by Legislative Changes

Two pieces of legislation required extensive revisions to the agency's partially developed tax system during 1986. First, the Consolidated Budget Reconciliation Act of 1985 provided that only that portion of a tier 1 that was equivalent to a social security benefit was to be taxed like a social security benefit. The tier 1 amount in excess of the social security benefit would now be taxed as a tier 2 benefit, that is, like a contributory pension payment. In some cases, information needed to calculate the social security equivalent benefit was not available in the RRB's records and various assumptions and estimates were made causing inaccuracies in some statements. Statements released in January 1987 reflected the tier 1 tax change, but once again much work remained to be done to have a fully functional, accurate tax accounting system. That work is still not completed. For example, the tax system does not

retroactively adjust the allocation of tier 1 benefits between the social security equivalent benefit amount and the non-social security equivalent benefit amount, nor does it properly allocate accruals and repayments.

The second legislative change, the Tax Reform Act of 1986, eliminated the 3-year-rule, a tax method used to determine the amount of taxable contributory pension payments. The RRB had been using the 3-year rule tax method exclusively for railroad retirement benefit taxability. This change required that the agency begin using the general rule method for annuities with beginning dates after July 1, 1986. Under the general rule, railroad retirement benefits exceeding social security equivalent levels are taxable immediately upon retirement. The RRB did not apply general rule provisions for tax year 1986. For 1987 and 1988, general rule provisions were reflected on tax statements, but regular and recurring general rule operations were not implemented until 1989. There are still some problems with the way the general rule provision was implemented. For example, certain repayment information is not properly allocated.

Amendments to the Railroad Retirement Act in 1988 also had an impact on the tax accounting system. Changes to other RRB claims systems to implement these amendments necessitated substantive revisions to the tax accounting system. Most of these revisions were completed during 1989.

Self-Evaluation of Taxation System

Because of indications of problems with the tax accounting system, the Chief Executive Officer asked the Director of Quality Assurance to evaluate this system in mid-1988. The Director of Quality Assurance issued three reports, the first in November 1988, and the second and third in May 1989. The reports showed that there were significant problems with the tax accounting system, and that a significant number of the retirement tax statements being released were inaccurate.

Additional Resources Devoted to Taxation

As a result of these findings, work was suspended on other agency automation projects in May 1989, and additional resources were provided to make changes and corrections to the tax system. The shift of resources to taxation system work in mid-1989 resulted in

-- a more orderly (less crisis-oriented) approach to the production of tax statements released in January 1990 than occurred in previous years;

-- a reduction in the number of errors in tax programs that caused inaccurate tax withholding/accounting; and

-- updated address information for over 10,000 cases that would have had undeliverable tax statements.

Recent Improvements to System

To improve the service to our beneficiaries, we also

-- increased from 3,500 to 10,000 the number of cases identified as requiring manual review prior to release of tax statements in January 1990, thereby reducing the number of inaccurate statements released;

-- sent letters of explanation to those annuitants whose tax statements were delayed because their cases must be manually reviewed;

-- developed and made accessible through the IRS's toll-free number, a 5-minute informational message;

-- improved the print quality for the tax statements; and

-- provided more information, on a more timely basis, to our field service employees for use in responding to annuitants' inquiries.

Contractor Assistance

In addition, the RRB hired an outside contractor to work with agency staff to

-- develop an on-line data correction facility for the taxation database to handle selected types of corrections;

-- develop a data analysis program to detect incomplete or invalid data;

-- improve the performance of the tax database; and

-- analyze current tax testing processing and develop a new testing facility (after the functional requirements are defined and accepted by the RRB).

The contractor has completed initial work on the first three tasks and is working on the fourth. Further enhancements to these tasks will be undertaken during 1990.

Revised Automation Plan Developed

In October 1989, a group was convened to revise the agency's retirement claims automation plan to incorporate needed taxation system improvements and to prioritize these initiatives with other retirement claims automation projects. The updated plan, which was issued on December 29, 1989, provides for the development of a long-range plan to redesign the tax system to focus solely on tax accounting, withholding and reporting operations. It is estimated that this redesign could take several years. Other systems that provide data to the tax system will also be revised so that accurate information is furnished. In the interim, a number of short-term initiatives have been identified to improve the accuracy of the current system.

Initiatives designated as having the highest priority are

-- provide an on-line facility to correct erroneous claims transactions and reprocess them as a means of preventing inaccurate data from entering the payment and tax accounting systems;

-- complete development of tax correction forms and programs to allow for the manual adjustment of tax data;

-- change the programs which create tax statement data to run on a quarterly rather than an annual basis, thereby identifying potential problems earlier in the year and providing more time for needed corrections;

-- automate the production of corrected tax statements based on new or revised data;

-- make retroactive corrections in the allocation of tier 1 benefits between the social security equivalent benefit amount (which is taxed as a social security benefit) and any remaining non-social security equivalent amount (taxed as a contributory pension payment), and issue corrected statements, as necessary; and

-- develop more structured testing methods that will allow us to test tax system corrections and enhancements more quickly.

Conclusion

The RRB is very concerned about its tax statements. We want to provide accurate, timely statements to every one of our beneficiaries, but there is no immediate answer to the problems that have developed over the years with the retirement tax accounting system. We expect, however, that this approach will provide near-term improvement and an eventual solution.

REMARKS OF JOHN D. CRAWFORD

Mr. CRAWFORD. Congressman Dwyer, the joint statement of the Labor Member and the Management Member of the Railroad Retirement Board sets forth the highlights of the budget proposed for fiscal year 1991.

As Management Member of the Board, I would like to add just a few brief comments about the budget and about the Board's plans for fiscal year 1991.

First of all, this is essentially a hold-the-line budget. In fiscal year 1990, this committee, and later, the Senate-House conferees, approved a budget of $78,000,000 for the Board, before sequestration. The Administration is requesting $88,657,000 in our fiscal year 1991 budget; however, $9,800,000 is proposed for the one-time acquisition and installation of a new mainframe computer, and an additional $200,000 for a system capacity study and requirements analysis that details the Board's future computer capacity generation.

Our decision to request funding for a new computer is based on the underlying premise that the public expects and deserves better service than we are providing now. The improvements we need to make, in many cases, require more computer power. Our current computer is already saturated during peak periods, and will reach its full saturation point in fiscal year 1991.

Our data processing staff estimates that the improvements we plan to make, together with continued support for improvements already implemented, will require a more powerful processor than the one we currently have. The estimate is under review by the General Services Administration's Federal Systems Integration and Management Center, called FEDSIM, whose preliminary response supports our findings. FEDSIM's final report is expected later this month.

To put our request for a new computer into perspective, we have prepared a paper which summarizes the developments that impacted on our computer resources since 1985 and looks ahead to the automation work we expect in the next five years. We would like to have that paper, which we will submit, included in the record.

Mr. DWYER. So ordered.

Mr. CRAWFORD. The budget calls for 17 additional full-time employees. These employees would work on the redesign of our retirement tax accounting system, continued automation of retirement claims processing, ongoing experience rating workloads, and ongoing debt collection and program integrity efforts.

The Board has for many years devoted considerable time and effort to the task of rooting out waste, fraud and abuse in the Board's retirement and disability programs and in its unemployment and sickness insurance program.

In fiscal year 1991, the Board proposes to use about 137 full-time equivalent employees on its program integrity efforts, including quality assurance and quality control. Primary examples of these activities, which are in addition to the efforts of the Inspector General, include monitoring of earnings, disability benefits and aged beneficiaries, Health Care Financing Administration death records matching, payroll matches and unemployment payment matches

with railroads and States, parental custody monitoring, student monitoring and the monitoring of representative payee use of funds.

With regard to waste, fraud and abuse in the Board's unemployment and sickness insurance program, the U.S. General Accounting Office recently completed the study mandated by section 7107 of the Railroad Unemployment Insurance and Retirement Improvement Act of 1988, Public Law 100–647.

GAO's study and recommendations will be helpful in reducing the frequency of fraud and payment errors in the Board's unemployment and sickness insurance programs. It is my understanding that the draft report and the Board's comments are being reviewed in Washington, D.C., and the final report should be issued shortly.

Mr. Chairman, this is all I have to add to the Labor Member's and Management Member's joint statement. I will be happy to answer any questions you may have.

Thank you.

[The information follows:]

AUTOMATION REPORT

In October 1985, the Railroad Retirement Board (RRB) installed a new mainframe computer that was intended to support the agency's automation efforts over the next 7 years. In the years from 1985 to the present, the RRB has been faced with a number of significant legislative changes and has modified its approach toward automation to stay in tune with its changing needs and environment. In 1989, the RRB conducted technical analyses and studies to determine how much mainframe processing capacity will be required to support its latest automation plans and how much longer the agency will be able to rely on the existing mainframe. The results of these studies indicate that the current mainframe will be fully saturated by 1991 and that a more powerful mainframe should replace it at that time. This paper traces the developments which have impacted on the RRB's computer resources since 1985 and looks ahead to those developments in automation expected in the next 5 years.

Automation Activities Underway in 1985

In 1985, the RRB was implementing a 5-year automation plan for 1983 through 1987, developed with the assistance of the MITRE Corporation. Key aspects of the plan were the development of an administrative (financial) management information system and the development of an integrated retirement claims processing system (RCPS). Major segments of the administrative management information system were implemented in October 1985, including new budget, accounting and personnel systems. In January 1987, further progress was achieved with the implementation of a new on-line payroll system. Development of the RCPS, a longer-term initiative, had run into a number of problems and, in 1987, the agency evaluated its previous approach to determine whether alternatives existed that would be less costly, less risky, faster to implement, or provide for an earlier payback.

New Approach for the Automation of Retirement Claims Processing

In January 1988, after a complete review of the alternatives, the Board Members adopted a new approach for the automation of retirement claims processing. The new approach was multi-faceted and incremental, rather than depending on the long-term development of a single, integrated database, as required by the RCPS project. The new approach resulted in detailed plans for 23 separate projects to gradually automate the

29-886 O—90——35

processing of retirement claims, and in the completion of several short-term, or fast-track, initiatives. These included (1) an initial claims system which provides for on-line entry of retirement and Medicare applications by field office personnel at the point of initial contact with the applicant, (2) systems to report and process certain activity in direct deposit and representative payee cases, and (3) the generation of a wide variety of automated award notices to beneficiaries.

Impact of Legislative Changes on Automation

Part of the reason for modifying the automation approach in 1988 was the impact that new legislation was having on the retirement benefit program. The Railroad Retirement Solvency Act of 1983 had required the taxation of railroad retirement benefits for the first time beginning with tax year 1984. Although the RRB was able to release the required tax statements in January 1985, the system that had been built to do this was not yet fully developed and a number of problems with the quality of the tax statements had to be corrected. Before all the corrections could be made, two other pieces of legislation were enacted in 1986 that required extensive revisions to the partially developed tax system.

First, the Consolidated Budget Reconciliation Act of 1985 (enacted in April 1986) provided that only a portion of the Tier I benefit (the amount equivalent to a social security benefit) was to be taxed like a social security benefit. The remaining tier I amount, if any, would be taxed as a tier II benefit (i.e., like a contributory pension payment). The second legislative change, the Tax Reform Act of 1986, eliminated the 3-year rule method of determining the amount of taxable contributory pension payments. The agency was required to begin using the general rule method for annuities effective after July 1, 1986. Both of these changes had a major impact on the RRB's plans for automation of retirement claims processing and on its use of computer resources. The tax accounting system is a complex mainframe system which interacts with many of the existing benefit payment and record systems. Although much work has been done on taxation, implementation of all the required systems changes has still not been completed.

In addition to the legislation concerning retirement benefit taxation, other legislation was also enacted that led to automated systems development in other areas. One of these, the Railroad Unemployment Insurance and Retirement Improvement Act of 1988, contained further amendments to the Railroad Retirement Act which impacted on the tax accounting system. Most of these were implemented during 1989. More importantly, however, this law made major changes in the railroad unemployment and sickness insurance program. It contained

provisions requiring a number of changes in the unemployment/sickness insurance processing systems, including indexing of the daily benefit rate, implementation of a 2-week waiting period, and prepayment notification of railroad employers that an unemployment or sickness insurance claim has been filed. It also required the establishment of a major automated system for experience rating, which will be phased into operation between 1990 and 1993.

One other piece of legislation, the Balanced Budget and Emergency Deficit Control Act of 1985 (the Gramm-Rudman-Hollings Act) also has had a significant impact on the RRB's automation activities in recent years. This law has required multiple mass adjustments of ongoing railroad retirement annuity payments and unemployment/sickness insurance benefits in various years. Complex programming and analysis have been required to ensure that benefit payments reflect accurate reductions or restorations of benefits under the law.

New Systems Installed in 1989

In 1989, the RRB revised its regulations to allow for registration for unemployment insurance benefits by mail instead of in-person. By September 1989, a new on-line system had been developed and implemented which allowed for direct entry of unemployment applications and claims by way of terminals in the district offices. This system also incorporates the prepayment verification function required by law to provide advance notification to railroad employers concerning the applications and claims filed by their employees. In January 1990, the system was expanded to include sickness claims.

In 1989, two other new automated systems were implemented. One of these, the employment data maintenance system, consists of a database of approximately 12 million railroad employee service and earnings records which are available for on-line reference for both field and headquarters employees. The other was an automated centralized program accounts receivable system, which is used to record, control, and account for recoverables established under both the Railroad Retirement Act and the Railroad Unemployment Insurance Act. This system will also assess interest, penalty and administrative cost charges where applicable.

Increased Use of Telecommunications and On-Line Systems

During the period 1985 through 1989, the RRB was also gradually increasing its use of mainframe computer systems as it expanded its nationwide data communications network which links all of

the field offices and headquarters through on-line terminals. In so doing, the RRB made available a number of systems for on-line use by both its field and headquarters employees. These systems provide on-line status information on railroad retirement and unemployment/sickness insurance cases; allow for on-line input of change-of-address, suspension and termination actions; electronically transmit information, status reports and inquiries; provide access to tax statement data; and allow for release of duplicate tax statements when necessary. The number of terminals in use increased from 195 in 1985, to 1,111 at the end of 1989. The volume of on-line transactions processed has grown from 1200 a day in 1985, to 57,324 a day in 1989.

Current Mainframe Capacity

In view of the level of automation activities from 1985 to the present, the mainframe computer purchased by the RRB in 1985, an IBM 3081KX, has served the agency well through a period of significant changes in the way the agency does business. That computer, purchased for approximately $2.3 million, processes 16 million instructions per second (MIPS). Sizing for it was done by updating the data and assumptions used in a 1983 sizing study performed for the RRB by the MITRE Corporation. Based on the results of this updated analysis, and other required studies, the RRB obtained procurement authority from the General Services Administration in December 1984 to purchase the new mainframe. After a competitive procurement process, the IBM 3081KX was purchased in August 1985 and installed in October 1985.

At present, the current mainframe utilizes an average of 82 percent of its processing capacity. Data processing guidance generally places the peak utilization range between 75 and 85 percent. During peak workload periods, the current processor is used at 100 percent of its capacity. It appears that it will be totally saturated by fiscal year 1991.

Future Outlook for Automation and Proposed New Mainframe

During 1989, as a result of internal quality assurance studies, the RRB became aware of a critical need to make major revisions and corrections to the retirement tax accounting system. In mid-1989, work was deferred on the previously identified retirement claims automation projects in order to concentrate resources on taxation improvements. Only one of the 23 planned

retirement projects had been completed at that time -- the production of about 60,000 automated rate verification letters annually.

In October 1989, the Chief Executive Officer directed that the retirement claims automation plan be revised and updated to incorporate needed tax accounting system improvements and to prioritize these with the remaining 22 projects. The updated plan recommended an overall automation approach that proceeds in the following three areas simultaneously:

1) Short and long-term taxation improvements.

2) Completion of a backlog of program maintenance requests (for updates and revisions) in the initial retirement adjudication system.

3) Renewed development of other new automation initiatives.

The plan identified 15 initiatives in the highest priority groups on which work is to begin either immediately or as soon as skilled resources can be made available. Key initiatives, which will require significantly more mainframe processing capacity, include the development of a payment and rate history database, conversion of existing retirement and survivor systems to an integrated database, and a major redesign of the tax accounting system to focus solely on tax accounting, withholding and reporting operations.

In addition to these planned initiatives, the RRB's 5-year automation plan for 1990 through 1994 also calls for the development of a new unemployment/sickness insurance database, the completion of the new experience rating system, and a variety of administrative and financial systems improvements.

Sizing Study and Cost-Benefit Analysis

Following development of the 5-year agency automation plan, the bureau of data processing conducted a computer sizing study to determine the size of a mainframe that would be required to support the initiatives outlined in the plan. Key objectives are to continue to support systems that will improve the accuracy and timeliness of benefit payments, provide increased access to claim data for field and headquarters employees, improve employee productivity, and ensure adequate internal controls and system security.

The sizing study, completed in November 1989, was based on a model of the current workloads and applied the model to anticipated mainframe workloads through 1995. Using BEST I/MVS Modeling Software, a model was developed which projected various detailed computer performance data for each distinct workload and determined mainframe usage by service time per transaction, per workload. Two key workloads were identified for the model: the transition workload (equal to the current workload), and the new workload (based on work to be automated as documented in the 5-year plan).

The results of the sizing study indicated the need for a processor approximately 5 times more powerful than the current mainframe, or capable of running at 72 MIPS. The projected life cycle for the proposed mainframe would be 5 years. This reflects the findings of the sizing study that indicated that the new processor would reach a utilization rate of 97.3 percent by 1995.

In addition to the sizing study, the bureau of data processing also conducted a cost-benefit analysis to determine the most cost-effective mainframe configuration for the agency's needs, as defined in the sizing study. The costs and benefits of four alternatives were examined. Two alternatives (maintain current processor; add a second processor to the current processor) were found to have a negative net present value. The other two had positive net present values; both involved replacing the current processor with a more powerful model. One alternative would support a "store and forward" system; the other would support a more technically sophisticated and costly real-time system. The recommended alternative was to replace the current processor with a larger one capable of supporting a store-and-forward system design. This would require the procurement of a processor equivalent to an IBM 3090-400S.

In November 1989, at the Chief Executive Officer's request, the RRB contracted with the Federal Systems Integration and Management Center (FEDSIM) to review the methodology and assumptions used in its sizing study. FEDSIM is an independent evaluation group within the General Services Administration that specializes in providing technical consulting services to other Federal agencies. The FEDSIM report is expected by late April 1990. This review is intended to provide an objective validation of the sizing study results and assurance to management, the Congress and OMB that replacement of the current processor is necessary.

Procurement Options

Because of the significant expense involved with the outright purchase of a larger mainframe, estimated at $9.8 million (including $300,000 for installation expenses, such as electrical, air conditioning and plumbing work), the agency is also looking into alternative procurement methods. Preliminary figures are as follows.

-- Lease-to-purchase over a 3-year period: The total cost would be $11.52 million, or $3.84 million annually for 3 years. The present value of this arrangement would be about $10.06 million, using a 10 percent discount rate. As with a purchase, it would cost an additional $300,000 to install the computer.

-- Lease-to-purchase over a 5-year period: The total cost would be $12.97 million, or about $2.59 millon annually for 5 years. The present value of a 5-year lease-to-purchase would be $10.36 million, using a 10 percent discount rate. Again, $300,000 would be required for installation costs.

-- Lease only: A simple leasing arrangement is not customary for equipment of this type. So far, only one quotation for rental has been obtained, and it was for a monthly rental charge of 10 percent of the purchase price of $9.5 million, or $11,400,000 annually.

Depending on the availability of funds for fiscal year 1991, purchase of the mainframe would be the preferred approach, with a 3-year lease-to-purchase arrangement as the next best alternative.

Summary

Although it appears that the RRB's current mainframe will need to be replaced earlier than expected when it was installed in 1985, it has provided adequate support for a period of extensive automation and systems development, some planned and some unanticipated. The agency has been flexible in its approach to automation over the ensuing years as it was faced with legislative changes and changing program requirements. It has been successful in bringing up major new systems in both major benefit programs as well as in the financial area. All new systems have been on-line databases which provide for improved access to information and more efficient data input and processing. The mainframe has supported significant

expansion of the data communications network and the increased traffic that has resulted from the new systems, while maintaining good response time for system users.

To enable the agency to continue to make progress, a larger mainframe processor will be necessary. The additional systems development and implementation which are an inherent part of the agency's strategic plan for 1990 through 1994 will gradually overload the current equipment and result in degraded performance of existing systems. The overriding goal of the RRB is to provide accurate and timely service to its beneficiaries. Without sufficent computing resources, this goal will become difficult, if not impossible, to meet.

APPOINTMENT OF A NEW CHAIRMAN

Mr. DWYER. Thank you, Mr. Crawford.

I will pose the question to both of you, and you pick and choose among yourselves as to how you want to answer it. When will a new Chairman be appointed?

Mr. CHAMBERLAIN. Well, according to my information, the new Chairman's name is before the Senate Labor and Human Resources Committee today, originally scheduled for this morning. I guess it has been postponed until 2:30 this afternoon. Assuming that information is correct, we look forward to the new Chairman being on board as early as next week.

RATIO OF RETIREMENT BENEFICIARIES TO RAILROAD EMPLOYEES

Mr. DWYER. In 1989, there were approximately 903,000 railroad retirement beneficiaries and only about 304,000 individuals currently employed in the railroad industry. How are these numbers expected to change over the next 10 years, and into the next century?

Mr. CRAWFORD. Well, Mr. Dwyer, based on the five sets of employment assumptions in our most recent actuarial valuation, and which we will continue to use in our section 502 reports, the number of beneficiaries for each active worker would range from 3.1 beneficiaries to one worker to as high as 4.5 beneficiaries per active worker in the year 2000.

By the year 2060, which is pretty far down the line, it would be about 1.4 beneficiaries to 1.9 for each active worker. At present, to update your figures, we have a ratio of 3 to 1. That is not—well, I believe those are the figures you used, 903,000 beneficiaries.

Well, in the middle of February, it was 288,000 active employees.

ACTUARIAL PROJECTIONS

Mr. DWYER. Will you give the committee an update on the projected total liability of the railroad retirement system, the amount of cash reserves and the remaining unfunded liability?

Do you have those available with you at the present time?

Mr. CHAMBERLAIN. We will let Mr. Boehne answer that question. I think he has the figures before him.

Mr. BOEHNE. The unfunded liability involves a point in time that they take a look at the system, and that is for the 17th valuation, as of December 31, 1986. Another one will be done in 1991. The unfunded liability was $40,000,000,000. The amount we have on hand is about $9,000,000,000 in the account.

Let me correct that. The present value amount that we have due would be about $40,000,000,000. The amount we have on hand in the fund is about $9,000,000,000. The present value of the unfunded liability, as of the 17th valuation, was $34,500,000,000.

Mr. DWYER. What year do you project the system could become insolvent and not able to pay benefits?

Mr. BOEHNE. If you use the same valuation, it has five employment assumptions. The most pessimistic assumption would have the fund having cash flow problems in the year 2011. The most optimistic employment assumption would have no cash flow problems for the next 75 years.

Quite often, the assumption that they use, that our actuary has quoted as being reasonable would have cash flow problems beginning by the year 2016. All those numbers will be updated the next time the valuation is done, which is due in 1991.

FINANCING AND PAYMENT OF VESTED DUAL BENEFITS

Mr. DWYER. The general taxpayers have contributed over $6,000,000,000 to pay dual benefits since 1976. An additional $4,000,000,000 is to be paid to the year 2050. How would the Administration's proposal to pay 25 percent of this amount out of the Railroad Retirement Act affect the solvency of the system?

Mr. BOEHNE. I think that would have a negative impact on the solvency of the system in the long-term by the $4,000,000,000-plus dollars that you mentioned. In the immediate near-term, not including the reserve that the Administration has set aside, it would be $80,500,000. So, it would have a negative impact on the solvency of the system.

Mr. DWYER. How much would be required to fully fund dual benefits in 1991 without relying on the reserve proposal?

Mr. BOEHNE. Without the reserve proposal, and using what our actuary has forecasted, $328,000,000 is needed to fully fund benefits.

Mr. DWYER. Would this amount be sufficient to avoid a pro rata benefit reduction?

Mr. BOEHNE. Yes. That is the concern we have about the Administration's proposal. The difficulty of administering it is that if you have a reserve there, we would have to constantly monitor the number of beneficiaries on the rolls. We would, or may, have to make adjustments part way through the year, and possibly reduce benefits in anticipation that we wouldn't have enough funds. Then, later on, we may even have to reinstate some of the benefits, or all of the benefits, depending upon what the newest figures would be.

So, it may be one of those on again off again type of things that would be disruptive.

INCOME TAXES COLLECTED ON VESTED DUAL BENEFITS

Mr. DWYER. Thank you for that comment. You answered the next question. Why has the estimate of income taxes collected on dual benefits declined from $30,000,000 in 1990 to $18,000,000 in 1991?

Mr. LARSON. Basically, the reason the income taxes are going down is that dual benefits themselves are decreasing. It will be phased out approximately by the year 2050. So, it is on a sliding scale downward.

Mr. DWYER. Mr. Conte?

APPOINTMENT OF A NEW CHAIRMAN

Mr. CONTE. It is good to have you appear before this subcommittee again. The Board is administered by three members. The chairmanship is currently vacant. Who has been nominated to fill that post?

Mr. CRAWFORD. Glen Bower has been nominated to fill the vacancy, and since 1983, Mr. Bower has served as Assistant Director and

General Counsel of the Department of Revenue of the State of Illinois. He also served as chairman of the Revenue Board of Appeals in 1986 and 1987, and was a member of the Revenue Board of Appeals in 1985 and 1986.

Prior to that, he was a member of the Illinois House of Representatives from 1979 to 1983.

CLIENT SATISFACTION STUDY

Mr. CONTE. I understand the Railroad Retirement Board recently completed a client satisfaction study. What do the preliminary results of this study reveal?

Mr. BOEHNE. That report was issued final at the end of last week. I think, overall, you can say that there were a lot of positives in that study. For example, 88 percent of the respondents rated the Railroad Retirement Board service as good to very good.

Two-thirds of the respondents who had contact with other government agencies, said the Railroad Retirement Board provided better service than they received from the other agencies. And 93 percent—which we found interestingly high, because we have trouble understanding some of the things we mail out—of the respondents said that the mail that we send them is understandable.

And that, of course, is higher than other agencies, too.

Mr. CONTE. That is remarkable.

Mr. BOEHNE. One respondent in 10 was dissatisfied with the amount of time it took the Railroad Retirement Board to complete action on the matter that they were in contact with us about. We found that the write-in comments were slightly more positive than negative. A lot of concerns were expressed about the time it takes to process a claim and also about telephone service.

Those are two things that we are directly interested in and trying to work on, particularly the time it is taking us to process unemployment and sickness insurance benefits under the new system that we put in place last year.

Mr. CHAMBERLAIN. I might add, Mr. Conte, that all of those that are unhappy with our service contact my office. So, we take care of the 12 percent of unhappy people and the 1 percent where they call me.

FEDERAL ROLE IN SUPPORTING THE RAILROAD RETIREMENT SYSTEM

Mr. CONTE. Your critics question whether there should be a Federal role in supporting the benefits program for railroad industry employees. How do you respond to people who think the Federal Government shouldn't support the railroad industry?

Mr. CHAMBERLAIN. Very happy to answer that, since I am a career railroad person. I came from a career railroad family. My father worked for the railroad for 50 years. I have completed over 50 years. So, I know something about the railroad industry prior to the establishment of the Railroad Retirement Board. I know what was going on in the railroad industry as a youngster with my father coming home and relating to me the experiences he had on the railroad.

Pension plans all over the country during that time were going under, which caused the Railroad Retirement Board to be estab-

lished. And you all know the history of the establishment of the Board. So, a short answer to your question is we should be a Federal agency, because all during that period of time, since the day that we were formed, the Retirement Board was set up, nobody, not one person, has ever lost a benefit during that period of time.

I think that is quite a record for any pension system.

Mr. CONTE. Yes, it is, but you didn't answer my question.

Mr. CHAMBERLAIN. What is your question? If it hadn't been for the Federal oversight——

Mr. CONTE. Should the Federal Government support the airline industry?

Mr. CHAMBERLAIN. Maybe they should.

Mr. CRAWFORD. Congressman, are you talking about just the Railroad Retirement Board or are you talking about the new transportation policy? Because I think with the decreased role of the Federal Government in funding highways——

Mr. CONTE. Retirement Board!

Mr. CRAWFORD. All right.

AVERAGE INVESTMENT YIELD FOR FISCAL YEAR 1989

Mr. CONTE. What was the average investment yield on all the holdings of the Railroad Retirement Act for fiscal year 1989?

Mr. BOEHNE. It was 9.64 percent, Mr. Congressman.

Mr. CONTE. Nine point——

Mr. BOEHNE. The average yield was 9.64 percent.

EQUITY BALANCE FOR RETIREMENT TRUST FUND

Mr. CONTE. Your statement says that the equity balance for the Retirement Trust Fund is over $9,200,000,000. How does that compare to the balance in the years prior to fiscal year 1989?

Mr. BOEHNE. At the end of fiscal year 1988, it was $8,300,000,000 and at the end of the previous fiscal year, $7,400,000,000. The previous fiscal year was $7,100,000,000, I believe. I think the reason that the balance is increasing here in the short term is because of the changes that Congress enacted in 1983 through the Solvency Act.

SOLVENCY OF RETIREMENT TRUST FUNDS

Mr. CONTE. The Commission on Railroad Retirement Reform is studying issues related to the retirement system's short and long-term solvency. What can you tell me about the retirement system's solvency?

Mr. BOEHNE. I think the solvency of the system can be looked at a number of different ways. One is the unfunded actuarial liability, which was $34,500,000,000. Another way to look at it is that we have $9,000,000,000 in the fund.

Depending upon which employment assumptions you use, the actuarial deficiency at a point in time can be plus or minus. Depending on the assumptions, the actual deficiency could be as bad as $7,800,000,000 or it could have a surplus as high as $4,400,000,000. So, really, the system is tied into the level of employment in the railroad sector.

REPORT BY THE COMMISSION ON RAILROAD RETIREMENT REFORM

Mr. CONTE. Does the Commission still plan to issue their report in October?

Mr. BOEHNE. Yes, if not sooner.

UNEMPLOYMENT RATE

Mr. CONTE. High unemployment in the early eighties made it necessary for the unemployment account to borrow from the retirement account, creating a debt of over $700,000,000. You plan to pay it off in 1994. What unemployment rate is your projection based on?

Mr. BOEHNE. That is based on about a 10-percent unemployment rate. For instance, last year, we had just over 300,000 people employed in the railroad industry and the number of people who received unemployment benefits was 35,000 during the benefit year.

Mr. CONTE. What happens if the unemployment rate increases between now and 1994?

Mr. BOEHNE. It should not have an impact on our ability to continue to repay the debt because there is a separate tax set aside for that purpose. In addition, by having experience rating already in place, the system should be self-correcting.

The higher the unemployment, the higher the taxes. If the fund balance should drop below certain levels, a surcharge goes into effect. So, for instance, if the fund balance drops below $50,000,000, let's say even drops below zero, we would impose a 3.5 percent surcharge on the employers.

STATE WAGE MATCHING

Mr. CONTE. In several States, the Board compares its unemployment insurance records with the State's unemployment insurance records. How much duplication of payments has this approach uncovered?

Mr. BOEHNE. I think that approach has identified very few cases of duplication of benefits—benefits we would pay out versus benefits States would pay out.

Matching with the State programs really identifies cases where people are working and still receiving unemployment benefits.

Mr. CONTE. I see. Is that very flagrant?

Mr. BOEHNE. During fiscal year 1989, accounts receivable were established for $370,000 in improper payments to about 800 unemployment and sickness insurance beneficiaries as a result of these State matches. We currently match with only seven States throughout the Nation.

Mr. CONTE. Do you plan to expand the State matches?

Mr. BOEHNE. Yes. We have agreements in process with three additional States. In addition, we are working with Wisconsin, an 11th agreement. Over and above that, the Inspector General's Office is working with the State of Ohio to reach agreement on a State matching program.

So, if we have all 12 States under this type of wage matching program, we would cover over 50 percent of the railroad workers.

Mr. CONTE. Would you put those in the record for us?

Mr. BOEHNE. Yes, we will.

[The information follows:]

PERCENTAGE OF RAILROAD EMPLOYEES RESIDING IN STATES WITH COMPUTER MATCHING AGREEMENTS IN PLACE OR IN PROCESS WITH THE RAILROAD RETIREMENT BOARD

Name of State	Percentage of total railroad employment [1]
Operational matching agreements:	
California	6.2
Illinois	7.9
Indiana	3.0
Missouri	3.1
New York	5.8
Pennsylvania	6.6
Texas	6.1
Agreements finalized; support work in process:	
Kansas	3.0
New Jersey	2.9
Virginia	3.2
Agreements in process:	
Ohio	4.6
Wisconsin	1.6
Total	54.0

[1] Percentages are based on average railroad employment for calendar year 1989.

Note: In addition to the above 12 States, the State of Nebraska, which has 3.4 percent of total railroad employment, has expressed an interest in a computer matching agreement.

PROJECTED OUTLAYS FROM THE RAILROAD RETIREMENT ACCOUNT IN FY 1991

Mr. CONTE. How much do you estimate that the mandatory outlays for the rail pension fund will cost in fiscal year 1991?

Mr. BOEHNE. In 1991, the mandatory outlays would be approximately $2,700,000,000.

SOLVENCY OF RETIREMENT TRUST FUNDS

Mr. CONTE. The pension fund is financed on a pay-as-you-go basis. How sound is the rail pension fund?

Mr. BOEHNE. Again, I think the pension fund looks solvent from a cash flow standpoint, even under the worst employment assumption through 2011. Again, under the most optimistic employment assumptions presented by the Association of American Railroads, it is solvent through the next 75 years.

Mr. CONTE. On page 201 of the budget blue book, it says that under the mid-range assumptions about railroad employment, the rail pension fund will be bankrupt by the year 2013. What do you think about that statement?

Mr. BOEHNE. Again, if you use the most pessimistic employment assumptions, our actuary would say we have a cash flow problem in the year 2011.

Mr. CONTE. But these are mid-range assessments.

Mr. BOEHNE. Earlier, I mentioned that our actuary had often used one of the employment assumptions which would target the cash flow problem being in the year 2016 as being a reasonable assumption.

All of these assumptions go back to a point in time, taking a picture at a point in time of December 31, 1986. That is the date on which our actuary based the 17th valuation.

PROJECTED RAILROAD EMPLOYMENT

Our actuary is working on another valuation right now, and that one will be out next year. That will give us a more up-to-date picture of the situation. Also, I think we are finding that the level of employment—the level of employment is declining—is going down at a slower rate than it had been.

It had been around 4 percent, and now it is about 2.5 percent.

Mr. CRAWFORD. Mr. Conte, I might mention that the Railroad Retirement Reform Commission has had studies made about the projected levels of employment. One of the things that the Board's actuarial projections did not take into account was traffic growth. There are various other things, too.

I think that the Reform Commission will, their studies on this will shed light on the future viability of the retirement funds based on employment projections.

Mr. CHAMBERLAIN. Mr. Conte, to continue with Mr. Boehne's and Mr. Crawford's comments. The year 2013, under Employment Assumption C, they are assuming we will have 75,000 railroad employees. I think that that is a very low, low figure.

The industry's projections under D and E are 178,000 and 148,000. You know, Assumption A is based upon 3.5 percent annual decline, Assumption B, 4.5 percent and Assumption C, 5.5 percent.

Based on these assumptions, the lowest employment reached would be 84,000, 57,000, and 38,000, respectively. I don't think any of us in this room ever expects the railroad industry to go out of business.

LAPSE OF ADMINISTRATIVE FUNDS IN FISCAL YEAR 1989

Mr. CONTE. How many administrative funds did you allow to lapse in fiscal year 1989?

Mr. BOEHNE. Roughly $250,000, including the limitation on administration and the unemployment insurance limitation. That doesn't include the amount that isn't available to us because of the statutory reserve.

Mr. CONTE. Off the record.

[Discussion off the record.]

AUTOMATION PLAN

Mr. DWYER. Last year, the committee was told that the five-year automation plan has 23 distinct improvements. Will you tell us how many of these improvements will have been achieved by the end of this year? What will be the cost? And how will they improve performance?

Mr. BOEHNE. During the past year we implemented one of the 23.

TAXATION

In addition to that, we had to redirect our efforts to the problem that Mr. Chamberlain had mentioned in his opening statement on taxation. That is really where our efforts were directed.

We redirected the efforts of 22 of our data processing staff and 45 of our employees in the Bureau of Retirement Claims toward solving the taxation problems.

COST OF NEW MAIN FRAME COMPUTER

Mr. DWYER. Of the total $9,800,000 requested for the new computer main frame in 1991, how much of this amount is for one-time costs and how much is for annual recurring costs?

Mr. CRAWFORD. It is all a one-time cost, Mr. Dwyer.

Unless we are advised by the committee that they would prefer to have a lease-to-purchase spread over three to five years. But the one-time cost is $9,800,000.

Mr. DWYER. What would be the annual and total cost to lease-purchase the new main frame?

Mr. CRAWFORD. The present value of a lease-to-purchase spread over three years would be $10,300,000, I believe. Pardon me. It would be $11,520,000. That is $3,840,000 annually for a three-year period for a lease-to-purchase agreement. And for—and the present value of such a program would be $10,060,000.

With regard to a five-year lease-to-purchase, the annual charge for a five-year lease-to-purchase agreement would be about $2,590,000 a year for a total of $12,970,000 over five years, and the present value of such a lease, at a 10-percent discount rate, would be about $10,360,000.

Mr. DWYER. Would lease-purchasing the computer cause any significant problems that a separate purchase would not cause?

Mr. CRAWFORD. No.

COMPUTER CAPACITY STUDY

Mr. DWYER. Proposed bill language would make the computer funding available only upon the completion and certification of a computer capacity study. When will these requirements be met?

Mr. CRAWFORD. We have already had the computer capacity study. It has to be approved by the Inspector General under the Administration's proposed budget and—I don't know where we stand on that.

Mr. DWYER. Would you prepare a summary of that for the record?

Mr. CRAWFORD. We will.

[The information follows:]

SUMMARY OF COMPUTER SIZING STUDY

The Railroad Retirement Board (RRB) has established both strategic and automation goals to continue to meet growing automation requirements. The RRB's automation goals are based on the strategic goals of modernizing automated support for claims operations, improving service delivery systems, and expanding database capabilities for financial management systems.

The RRB automation goals are outlined in a detailed 5-year automation plan, which contains a statement of strategies and planning assumptions, as well as a description of future system architecture and a business plan. As a part of that plan, the RRB has evaluated the computer mainframe requirements for current and planned workloads for the years 1991 through 1995.

Hardware

The RRB currently operates an IBM 3081-KX4 computer system which supports current automated functions. This support includes access to RRB data by staff in headquarters and field offices. Over 1,100 terminals are linked to the mainframe and provide access to all on-line systems, an electronic mail system, and a folder tracking system.

RRB Systems

The RRB performs its program and administrative functions through a combination of automated and manual processing systems. The RRB's goal is to gradually automate more of the programmatic functions and provide on-line processing capabilities to support its headquarters and field operations.

Operation Schedule

The RRB operates its computer system 7 days a week, 24 hours a day. However, the bulk of the workload is processed Monday through Friday. The operations of a 24-hour day are divided into three 8-hour shifts. On-line and test workloads are scheduled from 6:00 a.m. to 6:00 p.m.; batch workloads are scheduled after 6:00 p.m. and are processed through the night. Batch workloads that cannot be processed during the nighttime are processed the following day.

Methodology

The RRB used analytical modelling to project future computer resource requirements. Analytical modelling is one of the techniques used to assess the current and projected capacity of computer systems. Analytical modelling is easier to use than other techniques, such as benchmarking and simulation, allows the testing of many hypotheses by varying workload or hardware configuration in a short period of time with minimal effort and requires less

computer support. The RRB used two commercial software packages to develop an analytical model of the computer system.

Current Workload

The size of the current workload was determined by building a baseline model from existing computer utilization data. This process enabled the RRB to determine the peak computer utilization period and the precise computer utilization during that period. The baseline model was verified by comparing the predicted results with the results actually being realized today. Once the predicted and actual results fell within close range, the baseline model was considered to be calibrated, that is to say, it accurately represented the current workload.

New Workload

The RRB's automation plans describe our goals to improve program operations by providing on-line capabilities for many of our functions. These goals will necessitate the processing of all on-line workloads during the day and the shifting of some batch workloads currently being accomplished during the second and third shifts to daytime operations. Approximately 20 percent of the nighttime workload will be shifted to the daytime operations as the batch systems are converted to on-line systems. The new workload was added to the baseline model, which consists of the verified current workload, to form the total forecasted workload, which, in turn, is the basis for determining the size requirements for the new computer.

Conclusion

The result of this modelling effort indicated that a central processing unit approximately 5 times more powerful than the RRB's current system is required to support the forecasted workload over the next 5 years. The RRB's sizing study is currently being reviewed by the Federal Systems Integration and Management Center (FEDSIM).

COMPUTER CAPACITY STUDY

Mr. DWYER. Would this bill language present any problems with making the funding available?

Mr. BOEHNE. I think if those restrictions are in there, it could possibly cause a problem. The Bureau of Data Processing has already done the sizing study. In doing the sizing study, they did the needs requirements identification. I don't think we should hold up purchasing a new computer waiting for a possible review by our Office of Inspector General. That is something that the IG can address when he is here testifying, immediately after us.

We are having a group, an expert group from the General Services Administration, review the cost sizing study. We are relying on their expertise to substantiate what our Bureau of Data Processing has done.

It definitely does identify the requirements and the size of computer we need.

ESTIMATED COSTS FOR FUTURE AUTOMATION

Mr. DWYER. How much funding is included in your 1991 request for computer automation improvements?

Mr. BOEHNE. In total, in 1991, including the salaries of our data processing staff, we are asking for $24,500,000.

Mr. DWYER. What are the outyear funding commitments for computer system maintenance to accomplish the goals of your five-year plan?

Mr. BOEHNE. Roughly, the cost for automation activities comes out to between $13,000,000 and $14,000,000 each of those four years.

ADDITIONAL STAFFING REQUESTED IN FISCAL YEAR 1991

Mr. DWYER. How would the additional FTEs which you requested in 1991 be distributed?

Mr. BOEHNE. We would be using those on a number of different areas. To elaborate a bit here on Mr. Crawford's opening remarks, with the new experience rating system in place, we would need additional people to help us operate that. Under that system the employers, instead of paying at a standard rate of 8 percent, will now have variable rates depending upon the level of unemployment for their particular operation.

In addition to that, we would like to put some of those FTEs toward automation, and a few of those FTEs toward handling debt collection and backlogs.

Mr. DWYER. Do you anticipate any staffing shortages under your 1991 level?

Mr. BOEHNE. We expect to use all 1625 FTEs this year.

BACKLOGS

Mr. DWYER. Would you review for the committee the data on the numbers of backlogged cases over the past several years and your efforts to reduce these backlogs through 1991?

Mr. BOEHNE. Last year, when we appeared here, we had a backlog of about 274,000 cases. During fiscal year 1989, we were able to reduce that to about 194,000. And then this year, for those work-

load categories that we identified last year, we hope to get the backlogs down to 160,000.

In addition, we are identifying some new backlog categories. For each category of work, we have a normal carry-forward balance. When we identify that we have exceeded the normal carry-forward balance, we see it as a new backlog category. We added two more backlog categories this year, which end up increasing the balance by about 8,000.

STAFFING ASSIGNED TO BACKLOG REDUCTION

Mr. DWYER. How many FTEs are working on the backlog reduction?

Mr. BOEHNE. During fiscal year 1989, we spent the equivalent of about 92, or 93, FTEs working on the backlog categories. That includes the retirement program, the unemployment program and research staff working on the post-edit backlog.

IMPACT OF BACKLOGS ON PAYMENTS TO BENEFICIARIES

Mr. DWYER. What impact do these backlogs have on the payments and services provided to the beneficiaries?

Mr. BOEHNE. In many cases once we work them, we identify cases where we have underpaid people. And we have identified cases where we have overpaid people. But not each and every case ends up being an under or overpayment.

In many cases, it is simply an inconsistency among the records that we maintain. A good example of that is the post-edit cases, our biggest backlog. In these cases, the records maintained by our research department, and used by our research department and our actuary, differ from those in the payment file.

So when we match the two systems, we identified the inconsistencies. Those have to be run down, and some of those become an over or underpayment once they are settled.

ELIMINATION OF BACKLOGS

Mr. DWYER. What are your current projections for the year these backlogs will be eliminated?

Mr. BOEHNE. We are projecting that we can eliminate the backlogs by 1995. That is based on a plan we laid out by using the additional FTEs that you provided to us a year ago.

Mr. DWYER. What additional resources would be required to cut that time in half?

Mr. BOEHNE. To cut it in half would require us probably to add on about 95 people sometime later this year, preferably in June. That would give us problems in funding them during this fiscal year, so we would probably add them in late September.

But with about 95 additional people, we could probably eliminate the backlog by 1992.

Mr. DWYER. Gentlemen, thank you very much. It has been a good hearing. We will have some more questions that we will submit to you, and you can supply the answers for the record. Thank you for being here this morning.

[The following questions were submitted to be answered for the record and the justifications follow:]

AUTOMATION PLANS

Mr. Natcher: What portion of your operation is currently automated, and what is your goal?

Mr. Chamberlain: We do not have sufficient data to calculate precisely how much of our work is automated. However, it is clear that automation is more advanced in some areas than in others. For example, our unemployment and sickness insurance benefit program operations have been highly automated for some time, while many of our retirement and survivor claims processing operations still require a large amount of manual work.

Overall, our Director of Data Processing estimates that roughly 60 percent of our work is automated and 40 percent is done manually. Our goal at this time is to increase the level of automation to about 80 percent by expanding our systems which support retirement claims processing operations. In addition, existing automated systems in some areas, such as taxation and retirement claims, are in need of modification and revisions. Our automation goals include working to improve these systems as well as adding new automated functions.

Mr. Natcher: Last year, the Committee was told that the 5-year automation plan has 23 distinct improvements. Tell us how many of these improvements will have been achieved by the end of this year, what will be the cost, and how will they improve performance?

Mr. Chamberlain: One of the 23 automation projects under our Action 94 plan has been completed: a project to automate generation of rate verification letters. About 60,000 rate verification letters are requested by annuitants each year. Preparation of these letters was formerly performed manually by field office staff. Now the staff can use a new on-line system to have these letters prepared, printed and distributed automatically. This project was conducted in-house and required less than one full staff year to complete.

The other 22 improvements were deferred because we had to divert staff resources to higher priority activities. As a result of internal quality assurance studies requested by our Chief Executive Officer, weaknesses in the quality and timeliness of information produced by our tax accounting system were identified. Accuracy of the information on tax statements was a major concern, as well as the legibility of printed statements and the quality and timeliness of our contacts with our beneficiaries. As a result, in mid-1989, we shifted staff from working on Action 94 to correct these problems. Improvements were made in the accuracy and timeliness of our tax system

operations, culminating in the release of about 970,000 tax statements in January 1990. During fiscal year 1989 and through the first quarter of fiscal year 1990, our data processing staff devoted about 32.1 staff years to taxation work. In addition, approximately $306,000 was spent on contract services to make improvements to the taxation system.

We recently completed an updated automation plan that recommends an automation approach that proceeds simultaneously with (1) short and long-term taxation improvements, (2) completion of a backlog of program maintenance requests in the initial retirement adjudication system, and (3) renewed development of other new automation initiatives.

Our updated plan calls for two additional projects to be completed by the end of this year. We have recently started a project to enable our initial retirement claims systems to process applications filed in advance of the expected retirement date. This change will reduce the amount of time many people have to wait before receiving a final award, and will decrease the number of status inquiries concerning pending applications. We expect the project to take about 1.75 staff years and to be completed in August 1990.

In addition, we will soon begin a project to automate the initiation of wage record requests needed for processing initial survivor claims. This change will help to improve processing time and accuracy for survivor claims. The systems changes will take about 1.77 staff years and are scheduled to be completed by the end of September 1990.

NEW COMPUTER

Mr. Natcher: Of the total $9.8 million requested for the new computer mainframe in 1991, how much of this amount is for one-time costs, and how much is for annual, recurring costs?

Mr. Crawford: The $9.8 million is entirely for one-time costs. We estimate that $9.5 million will be needed to purchase the computer, and $300,000 will be needed to install it.

FUNDING FOR AUTOMATION

Mr. Natcher: What are the outyear funding commitments for computer system maintenance and new improvements to accomplish the goals in your 5-year plan?

Mr. Chamberlain: The following chart shows the agency's funding needs for all automation activities including system maintenance and new improvements during fiscal years 1991 through 1995 to accomplish the goals in our 5-year automation plan.

Costs of Automation Activities
(in thousands)

Automation activity	Fiscal year 1991	1992	1993	1994	1995
Salaries and related personnel benefits for in-house staff	$9,500	$9,800	$10,150	$10,500	$10,900
Purchase and installation of mainframe computer	9,800	-	-	-	-
Automation improvement initiatives	1,600 [1]	500	500	-	-
Data communication services	1,200	1,200	1,200	1,200	1,200
Lease-to-purchase of direct access storage devices (DASD)	788	788	394	-	-
Mainframe computer operations	686	800	800	800	800
Personal computer equipment	366	400	400	400	400
Keypunch and computer recovery services	340	350	400	400	400
Other data processing equipment (mainframe hardware and software)	233	135	135	135	135
Total	$24,513	$13,973	$13,979	$13,435	$13,835

[1] Consists of $1.4 million for integrated database development and other automation initiatives, and $200,000 for development of a cost accounting system.

Note: Of the estimated $24.5 million needed for automation activities in fiscal year 1991, the Administration's budget provides about $22 million. The Administration's proposed funding level would not cover costs for DASD, personal computer equipment, other data processing equipment, and most automation development and improvement initiatives.

STAFFING SHORTAGES

Mr. Natcher: Do you anticipate any staffing shortages under your proposed 1991 staffing levels?

Mr. Crawford: Yes, we anticipate some shortages in certain areas, even with the proposed increase in full-time equivalent (FTE) employees for fiscal year 1991. We are currently operating with 1625 FTE's for fiscal year 1990. The proposed level of 1642 FTE's for fiscal year 1991 will provide us with 17 additional FTE's which we plan to devote to new projects and other key areas in need of improvement. These include contributing toward: the redesign of our retirement tax accounting system, continued automation of claims processing functions to improve the timeliness and accuracy of our benefit payments, ongoing experience rating workloads, and debt collection and program integrity efforts.

Even at that level of staffing, however, we will be faced with areas that could be improved with additional staff resources. We are currently in the midst of our annual operations planning process, during which agency managers assess their operations and resources, and plan what they can do over the next 3 years. During this process, agency managers recently identified current staffing shortages totaling more than 100 employees, primarily in areas related to taxation, automation, internal controls and program service improvements. As we continue in the planning process, we will critically review and evaluate the plans and the related staffing requests, and determine to what extent existing resources can be shifted to meet these needs. We believe that over the past 10 years we have been conservative in our staffing requests to the Congress. Unfortunately, while helping to keep our funding requests down, this approach has asked for too much from too few and has not allowed us to address some of our problems sooner and avoid others.

BACKLOG PROCESSING

Mr. Natcher: Review for the Committee the data on the numbers of backlogged cases over the past several years, and your efforts to reduce these backlogs through 1991.

Mr. Chamberlain: In fiscal year 1989, we targeted 11 categories of Railroad Retirement Act (RRA) cases for reduction of backlogs. During the first year, we reduced the total balance on hand by 29 percent, from 273,386 on October 1, 1988, to 194,411 on September 30, 1989. We also eliminated the backlog in one category--public service pension cases. We used a total of 90.5 full-time equivalent (FTE) staff years working on cases in RRA backlog categories during the year.

In fiscal year 1990, we have added for special tracking two new RRA backlog categories with a combined balance of 2,570

cases. Our goal for the fiscal year is to reduce the total balances on hand 14.5 percent, from 196,981 to 168,348, and we expect to eliminate one category of backlogged work--Medicare maintenance. Our planned staff usage is 84.6 FTE's.

In fiscal year 1991, we plan to reduce the total balances on hand in backlogged RRA workloads 20 percent, to a level of 135,131. We also expect to eliminate the backlogs in three more categories that year--retirement adjustments, social security adjustments, and computer system audit referrals. Our planned staff usage for backlog categories in that year is 76.9 FTE's.

Current projections show that backlogs in the remaining categories of retirement and survivor cases should be eliminated by September 30, 1995.

In the unemployment and sickness insurance program, we currently have only one targeted backlog. These cases involve requests for reconsideration of an adverse benefit determination or requests to waive recovery of a debt. As of October 1, 1989, there were a total of 622 such requests on hand. We plan to use three FTE's each year in fiscal years 1990 and 1991 to process new requests coming in and to eliminate this backlog by September 30, 1991.

We are also currently reevaluating the status of our workloads in the unemployment and sickness insurance program. By July 1, 1990, we will determine acceptable carryover levels for major work categories which currently have a high volume on hand. Work above the acceptable levels will be targeted for backlog reduction. An evaluation will also be made to determine the estimated resources necessary to eliminate the backlogs in a reasonable period.

PROGRAM INTEGRITY INITIATIVES

Mr. Natcher: Last year, the Inspector General told the Committee that very serious fraud exists in the disability, health care and retirement programs. What is being done to identify and curtail these abuses?

Mr. Crawford: We have a number of program integrity activities in place to detect fraud and abuse in the benefit programs and to ensure that benefits are paid only in the correct amounts to entitled beneficiaries. Generally, these projects identify new information or verify existing information concerning individuals' eligibility for and entitlement to benefits.

During 1989, responsibility for coordinating program integrity reporting activities for the agency was assigned to the Chief Financial Officer. We have initiated quarterly reporting on the progress of program integrity efforts, and we are redesigning our systems to measure performance in this area.

In the disability area, we conduct a series of programs to determine whether annuitants continue to be disabled. During the past fiscal year, we conducted 1300 of these reviews. These include the following:

- Decision reviews - Disability benefits awarded as a result of the Board's appeals process are called up for review within 3 years after the decision.

- Medical improvement expected - Cases are identified for review during the initial development and rating phase according to the Social Security Administration's (SSA) mandatory diary system. These are diaried for review between 6 and 18 months after the initial decision.

- Medical improvement possible - These cases are also identified for review during the initial development and rating phase and are diaried for review 12 months after the initial decision.

- Earnings - An automated matching system identifies disabled beneficiaries who may be engaging in substantial gainful activities based on reported earnings.

- Railroad Retirement Board (RRB)/SSA decisions - Cases are called up for review when SSA indicates that a diary has been established.

- Medical improvements not expected - Beginning in 1990, initial cases will be reviewed 5 to 7 years after the initial decision.

Key program integrity initiatives currently in place for the retirement program include the following:

- wage matching programs with SSA to determine whether beneficiaries' earnings are in excess of the exempt amount;

- representative payee monitoring to ensure that payments are handled in the best interests of the beneficiary;

- undeliverable mail and uncashed check investigations to identify unreported deaths and persons needing representative payees;

- matching programs with SSA and the Health Care Financing Administration (HCFA) to identify unreported deaths; and

- annual earnings monitoring programs to adjust benefits for retirees who continue working.

These and other program integrity efforts (including quality assurance and quality control activities) helped us during 1989 to safeguard the trust funds against waste, fraud and abuse. Following are some key results achieved during the year.

- Through monitoring our financial systems, we identified an error by the Department of the Treasury and recovered over $152 million of misclassified tax receipts.

- Matches with SSA and HCFA death records identified 486 overpayments due to unreported deaths. Approximately $303,000 has been recovered, and recovery of an additional $793,781 is in progress.

- Questionnaires mailed to 1,608 annuitants who may have earnings more than exempt amounts helped identify 976 annuitants with excess earnings.

- We continued to cooperate with our Office of Inspector General by referring suspect cases for investigation and providing information and assistance as requested. In fiscal year 1989, more than 120 retirement, survivor and disability cases, as well as more than 120 unemployment and sickness insurance cases, were referred to the Inspector General for investigation.

In addition, the following special safeguards are in place for the Medicare program.

- The Travelers' administrative costs for each year are audited by private accounting firms working under contract for the Health and Human Services' Office of Inspector General.

- Medicare operations are monitored through an ongoing contractor performance evaluation program. The RRB maintains an on-site representative and monitors the Travelers' performance according to HCFA standards. Each year, the Board produces a comprehensive Area Carrier Evaluation Report containing the results of this monitoring process.

- Medicare claims payments are monitored through an ongoing carrier quality assurance system. The Travelers conducts an ongoing review of paid claims to ensure that processing has been completed in accordance with HCFA standards. The Board re-reviews a 10 percent subsample to ensure that the review is being carried out accurately.

TAX ACCOUNTING SYSTEM

Mr. Natcher: What problems have you experienced in your retirement tax accounting system, and what efforts are underway to improve this system?

Mr. Chamberlain: The Railroad Retirement Solvency Act of 1983 required the taxation of railroad retirement benefits for the first time beginning with tax year 1984. Although the Board was able to release the required tax statements in January 1985, the system that had been built to do this was not yet fully developed, and a number of problems with the quality of the tax statements had to be corrected. Before all the corrections could be made, two other pieces of legislation were enacted that required extensive revisions to the partially developed tax system. First, the Consolidated Budget Reconciliation Act of 1985 provided that only that portion of a tier I that was equivalent to a social security benefit was to be taxed like a social security benefit. The second legislative change, the Tax Reform Act of 1986, eliminated the 3-year rule, a tax method used to determine the amount of taxable contributory payments. The agency was required to begin using the general rule method for annuities effective after July 1, 1986.

These changes had a major impact on the design of the tax accounting database. Although much work has been done on taxation, implementation of all the required systems changes has still not been completed.

Based on the findings of internal quality assurance studies conducted in fiscal year 1989, a contractor's proposals for tax system improvements, and other internal plans for corrective action needed in the tax area, we have identified the following four tax-related projects as having the highest priority. These will be started as soon as possible and completed by September 1991.

- Provide an on-line facility to correct erroneous claims transactions and reprocess them as a means of preventing inaccurate data from entering the payment and tax accounting systems.

- Complete development of tax correction forms and programs to allow for the manual adjustment of tax data.

- Change the programs which create tax statement data to run on a quarterly, rather than an annual, basis. This should identify potential problems earlier in the year and provide more time for needed corrections.

- Automate the production of corrected tax statements based on new or revised data.

In addition, we have identified the following three projects as part of a second priority group that will be started as soon as additional skilled resources are available.

- Make retroactive corrections in the allocation of tier I benefits between the social security equivalent benefit (SSEB) amount (which is taxed as a social security

benefit) and any remaining non-SSEB amount (taxed as a private contributory pension benefit), and issue corrected statements, as necessary.

- Develop more structured testing methods that will allow us to test tax system corrections and enhancements more quickly.

- Develop a long-range plan to redesign the tax system to focus solely on tax accounting, withholding and reporting operations and disassociate it from other claims-related processes and systems.

During 1990, we also plan to have our contractor complete work on the following four tasks that were started in 1989:

- develop an on-line data correction facility for the taxation database to handle selected types of corrections;

- develop a data analysis program to detect incomplete or invalid data;

- improve the performance of the tax database; and

- analyze current tax testing processing, and define the functional requirements for a new tax testing facility.

CONTRACT FUNDING FOR TAXATION SYSTEM

Mr. Natcher: How will the $250,000 earmarked to address taxation system problems be used in 1991? Would this bill language present any problems with making funding available?

Mr. Crawford: If the funding is designated for taxation systems, we would use the $250,000 for contractual assistance in completing the systems improvements described above. However, because of the urgency of the taxation work, we plan to complete significant parts of the work in fiscal year 1990. During fiscal year 1991, we also plan to continue with other systems modification and modernization projects under our revised automation plan.

We would prefer that the restrictive language in the appropriations bill be deleted because (1) much of the contracted taxation work will be completed in fiscal year 1990, and (2) this would allow us the flexibility to apply the funding most effectively to our automation projects.

EXPERIENCE RATING SYSTEM

Mr. Natcher: What is required to implement the experience rating provisions for the unemployment insurance program which were recently enacted? When will this rating system be fully implemented?

Mr. Chamberlain: Experience rating under the Railroad Unemployment Insurance Act (RUIA) is being phased in over a 3-year period which began January 1, 1990. On that date, the Railroad Retirement Board (RRB) began accumulating information concerning benefit charges and credits. The Act requires the RRB to notify each employer quarterly of its net cumulative contribution balance and its cumulative benefit balance. The RRB is also to notify each employer annually of its contribution rate for the next calendar year and the components used in determining the rate: the benefit ratio, reserve ratio, one year compensation base, 3-year compensation base, unallocated charge balance and reserve balance, all determined as of June 30 of the current year.

Although the database system will be fully implemented by October 15, 1990, experience rating is being phased in over a 3-year transition period. The Railroad Unemployment Insurance Act provides that an employer's tax rate for 1991 be partially determined by the employer's experience in 1990; and for 1992, by the employer's experience in 1990 and 1991. Full experience rating will be implemented with the calculation of the employer's tax rate for 1993, based on experience in 1990, 1991 and 1992.

Implementation of the experience rating system has required a significant investment of staff resources. We estimate that we will use over 22 staff years on these activities in fiscal year 1990, and over 25 staff years in fiscal year 1991.

OVERPAYMENT RECOVERY

Mr. Natcher: How much was identified in overpayments during 1989, and how much was recovered? How does this compare to 1988?

Mr. Crawford: Provided below is the data you requested.

Accounts receivable activity
($ millions)

Benefit type	Fiscal Year 1988		Fiscal Year 1989	
	Established	Collected	Established	Collected
Retirement/survivor benefits	$37.8	$30.5	$40.6	$30.3
Unemployment and sickness insurance benefits	59.9	59.1	40.8	39.2
Total	$97.7	$89.6	$81.4	$69.5

BENEFIT RATES AND EFFECT OF SEQUESTER

Mr. Natcher: Review for the Committee the average monthly benefit payments for each program in 1990 and the impact of sequestration on those payments.

Mr. Chamberlain: As of December 31, 1989, our average retirement/survivor monthly benefits excluding supplemental annuities averaged $883 for employees, $367 for spouses and $542 for widow(er)s. In addition, about a quarter of our beneficiaries also received a vested dual benefit averaging about $115 a month in fiscal year 1989. These benefits were not affected by the sequester.

Only supplemental annuities and unemployment and sickness insurance benefits were subject to a sequester reduction. Under the revised final sequester order, supplemental annuity payments were reduced by $788,000, or 0.7 percent of total payments, resulting in an average monthly annuity of $46 being reduced by 33 cents a month for the fiscal year. Reductions under the revised final sequester order for unemployment and sickness insurance benefits total $1,773,800, or 1.7 percent of a revised benefit estimate. As a result, maximum biweekly benefits will be reduced by $5.27, or $310 to $304.73 for the fiscal year.

LEGISLATIVE PROPOSALS AFFECTING THE APPROPRIATION

Mr. Natcher: Review for the Committee your 1991 legislative proposals which would have an impact on your appropriation. What is the status of this legislation, and what are the chances of it being enacted before we mark up our bill?

Mr. Crawford: The Bush Administration has made several legislative proposals that would have an impact on the Railroad Retirement Board. The proposals that would have an impact on this agency's appropriations are discussed below.

1. Railroad Industry Pension Restoration Act. This proposal would provide for coverage of railroad employees and retirees under the Social Security Act. Railroad retirement benefits in excess of social security level benefits would be paid by two private plans, one for current employees and retirees and one for future employees.

   The Railroad Retirement Board would remain as a Federal agency to administer the railroad unemployment insurance program. Responsibility for paying sickness benefits would be transferred to a new, privately administered plan.

   If enacted, this proposal would end the Board's responsibilities to administer the Railroad Retirement Act and the sickness insurance program. This would have an impact on the Board's appropriation for administrative expenses and would impose an additional administrative burden on the Social Security Administration. In addition, the proposal calls for transfer of the assets of the railroad retirement accounts to the pension plan for current employees and retirees and for appropriation and transfer to such plan of an amount equal to the present value of future vested dual benefits appropriations.

29-886 O—90——36

We have not, as yet, been asked by the Office of Management and Budget to determine the effects of this proposal on our fiscal year 1991 budget request. However, if this bill is enacted, it would have a dramatic impact on our agency and our budget.

This legislation has not been submitted to Congress. A bill embodying a similar proposal was submitted by the Reagan Administration in 1988. That bill was never introduced.

2. The Administration is also proposing to change the method of funding vested dual benefits by assessing 25 percent of the cost of such benefits to the Railroad Retirement Account.

This proposal would reduce the 1991 estimated appropriation for vested dual benefits by 25 percent, or approximately $80 million. Under the proposal, the $80 million would be made up from funds from the Railroad Retirement Account. However, the proposal would be contrary to Congressional intent in enacting the Railroad Retirement Act of 1974.

A bill embodying this proposal was submitted to Congress last year, but has not, as yet, been introduced.

The Railroad Retirement Board has also made several legislative proposals. However, only one of these proposals would have an impact on the agency's appropriations. The Railroad Retirement Board has proposed and submitted to Congress legislation to change the method by which funds are made available for administration of the Railroad Retirement and Railroad Unemployment Insurance Acts.

Under current law, administrative expenses are provided under separate appropriations for administration of each of the two acts. This proposal would authorize the pooling of funds from the various accounts established under the Railroad Retirement and Railroad Unemployment Insurance Acts to be available to pay administrative expenses under both. The proposed amendment is similar to provisions in section 201 of the Social Security Act.

Pooling of funds would avoid problems caused by separate administrative expense appropriations where costs are assessed to both programs. For example, staffing costs in the agency are divided on a percentage basis between the Railroad Retirement Act and the Railroad Unemployment Insurance Act. Employees' compensation is charged to the Railroad Retirement Account and to the Railroad Unemployment Insurance Administration Fund based on their particular responsibilities. This fund split causes many problems and, because of the precise accounting required, is administratively expensive.

The proposed amendment would give the Board the added flexibility of being able to adjust to changing workloads and conditions, simplify financial management aspects of administering these programs, and avoid the need to seek changes in appropriated amounts. Although funds would be pooled, the various accounts would continue to bear their appropriate share of administrative costs. After the close of each fiscal year, the Board would be required to determine the appropriate costs to be assessed to each account and to certify to the Secretary of the Treasury amounts to be transferred among the accounts.

Last November the Railroad Retirement Board forwarded to Congress a draft bill embodying this proposal; however, this bill has not, as yet, been introduced. In connection with this submission of the draft legislation to Congress, the Board expressed its support for enactment.

OTHER LEGISLATIVE PROPOSALS

Mr. Natcher: What other legislation will be proposed on which you anticipate favorable Congressional action?

Mr. Chamberlain: On December 21, 1989, the Board submitted to Congress draft legislation to correct an unanticipated problem resulting from the establishment of the Social Security Equivalent Benefit Account in 1984. The bill would provide for the proper crediting of financial interchange transfers which are made to adjust or correct the amounts of financial interchange transfers that were made between the social security trust funds and the Railroad Retirement Account prior to October 1, 1984, the date on which the Social Security Equivalent Benefit Account was established.

Public Law 98-76, which established the Social Security Equivalent Benefit Account, provided that all financial interchange transfers from October 1, 1984, forward are to be made between the social security trust funds and the Social Security Equivalent Benefit Account. No exception was provided for transfers after that date which are made to correct or adjust amounts of transfers that occurred prior to that date. As a result, the Railroad Retirement Account has been underreimbursed by approximately $26 million as of April 1990 in moneys which were paid from that account prior to October 1, 1984, but for which reimbursement was made to the Social Security Equivalent Benefit Account. The proposal would authorize transfers of such funds to the Railroad Retirement Account.

The Board supports enactment of this legislation.

In addition to the proposals already discussed, the Bush Administration has included in the fiscal year 1991 budget several other proposals for legislative changes affecting the railroad retirement and unemployment/sickness insurance systems. These proposals would affect benefit levels rather than the

Railroad Retirement Board's administrative costs, and the outcome of these proposals is uncertain at this time. These include:

- Three additional proposals to amend the Railroad Retirement Act (RRA) to
  - limit full cost-of-living adjustments to the social security equivalent benefit amount rather than the tier I amount,
  - eliminate the January 1991 cost-of-living adjustment for non-social security equivalent benefits and reduce future cost-of-living adjustments for non-social security equivalent benefits, and
  - prohibit a beneficiary from receiving both an employee and spouse annuity.
- A proposal to amend the Railroad Unemployment Insurance Act (RUIA) to extend through 1992 the special contribution rate for publicly-owned commuter railroads and to extend this treatment to Amtrak beginning in 1991.
- A proposal to amend the Social Security Act to provide social security benefits for persons who would be covered as auxiliary beneficiaries if railroad employees were covered by that Act.

In addition to our proposals concerning the single administrative account and the financial interchange discussed earlier, the Railroad Retirement Board has made five other legislative proposals (including three technical amendments) in connection with the budget for fiscal year 1991. The outcome of these proposals is also uncertain at this time. These include proposals to:

- amend the Railroad Unemployment Insurance Act (RUIA) to clarify that contributions are to be assessed on an earned rather than a paid basis (technical amendment);
- amend the Internal Revenue Code to reinstate the requirement for quarterly payment of railroad unemployment repayment taxes (technical amendment);
- amend P.L. 99-177 to exempt supplemental annuities from sequestration;
- amend the United States Code to provide that uncashed checks issued before October 1, 1989, under the RUIA and for administrative expenses under the RRA are to be returned to the accounts on which they were drawn; and

- amend the Internal Revenue Code to provide the Railroad Retirement Board access to railroad unemployment repayment tax records (technical amendment).

The Board also intends to submit a proposal to:

- amend the RRA, RUIA and Railroad Retirement Tax Act to exclude moving expense reimbursements from "compensation" in the same manner as such payments are excluded from "wages" under the Social Security Act and Federal Insurance Contributions Act.

On May 15, 1989, the Board submitted a legislative proposal to the Congress to provide full law enforcement authority to the agency's Office of Inspector General. Subsequent to the Board's submission of this legislative proposal, bills were introduced in the House and the Senate to provide full law enforcement authority to Offices of Inspector General on a governmentwide basis.

REPEAL OF CATASTROPHIC HEALTH COVERAGE

Mr. Natcher: What additional costs did you incur related to the repeal of Catastrophic Health Coverage and how were these costs covered?

Mr. Crawford: The agency incurred costs of $249,000 for a special mailing to about 850,000 beneficiaries to explain the change in health coverage and $80,000 to modify our computer programs and procedures. We have been reimbursed for the special mailing and we will be reimbursed for the remaining costs through our normal annual billing process.

COMPUTER SYSTEM BACKUP

Mr. Natcher: In the event of a major computer system failure, is the present backup system adequate?

Mr. Chamberlain: The Railroad Retirement Board has a contract with Comdisco Disaster Recovery Center for disaster recovery purposes. This vendor has a major facility in the Chicago area, at which we conduct mock disaster recovery operations four times a year. We believe that these arrangements ensure adequate backup in case of computer failure.

COMMISSION ON RAILROAD RETIREMENT REFORM

Mr. Natcher: When will the Railroad Retirement Reform Commission issue its final report? Have they issued any interim findings?

Mr. Crawford: The Commission on Railroad Retirement Reform is due to submit its report to the President and the Congress on

or before October 1, 1990. The Commission has not as yet issued any findings, conclusions or legislative recommendations.

INSPECTOR GENERAL'S RECOMMENDATIONS

Mr. Natcher: In January 1989, the Inspector General prepared the Cost Saver and Financial Improvement Guide which he said could save $200 million. Have any of these recommendations been implemented?

Mr. Chamberlain: The following table shows the status of the 18 recommendations the Inspector General made which he estimates could result in one-time income to our trust funds of $182.49 million and recurring income or savings of $23.12 million. Eight recommendations have been implemented and ten are in process.

Recommendations	Status
1. Change Department of the Treasury regulations which permit employers to deposit 95 percent of their tax liability. The change would increase the deposit requirement to 100 percent of the tax liability. Estimated recurring income: $0.46 million.	In process: According to the Inspector General, this recommendation is being studied by the Internal Revenue Service and the Office of Management and Budget.
2. Change Department of Treasury regulations to require employers who owe $3,000 or more in undeposited tax liabilities to make deposits more quickly. Estimated recurring income: $2.23 million.	Implemented: This change was included in the Omnibus Budget Reconciliation Act of 1989.
3. Change the Railroad Retirement Tax Act so that fringe benefits, such as group life insurance, are treated as taxable compensation. Estimated recurring income: $3.30 million.	Implemented: This change was included in the Omnibus Budget Reconciliation Act of 1989.

INSPECTOR GENERAL'S RECOMMENDATIONS (CONTINUED)

4. Modify the financial interchange calculations, which are to place the social security trust funds in the same financial position they would have been had railroad employment been covered by the Social Security Act, to reflect unrecovered overpayments. Estimated one-time income: $55.70 million Estimated recurring income: $3.20 million.	In process: The Inspector General is conducting an additional audit of unrecovered overpayments to develop a method for precisely calculating such overpayments.
5. Refer to the Department of Justice delinquent unemployment and sickness insurance debts which resulted from employers having paid the employee for the same period the Railroad Retirement Board properly paid such benefits. Estimated one-time income: $0.30 million.	In process: These accounts receivable are currently being reviewed and documentation is being prepared for referral to the Department of Justice. The Railroad Retirement Board expects to begin referring these cases by November 1990.
6. Assess interest and penalties on certain delinquent railroad unemployment and sickness insurance debts. Estimated recurring income: Undetermined amount.	Implemented: A new automated accounts receivable system was implemented which assesses interest and penalties on delinquent debts.

INSPECTOR GENERAL'S RECOMMENDATIONS (CONTINUED)

7. Improve the process for ensuring that the Railroad Retirement Board and Social Security Administration coordinate the payment of social security benefits and offset railroad retirement tier I benefits. Estimated one-time savings: $2.00 million Estimated recurring savings: $0.70 million.	In process: A number of improvements to the process have been made. For example, in April 1989, a special section was established to handle social security benefits certified to the Railroad Retirement Board for payment, including cases identified by the Inspector General. Beginning in 1989, priority handling status was given to cost-of-living reject cases involving initial social security benefits not certified to the Railroad Retirement Board for payment. Also, the Railroad Retirement Board is working with the Social Security Administration on various other proposals for improving the process.
8. Conduct a computer match of Social Security Administration death records and Railroad Retirement Board benefit payment files. Estimated one-time savings: $1.00 million Estimated recurring savings: $0.10 million.	Implemented: The Railroad Retirement Board has completed its first quarterly match for the period ended December 31, 1989. As a result, 18 cases with estimated overpayments totaling $37,778 were referred to the Inspector General for investigation.
9. Establish accounts receivable for a large railroad employer which paid its employees for the same period the Railroad Retirement Board paid unemployment benefits. Estimated one-time savings: Undetermined amount.	In process: Accounts receivable for these debts have been established. Negotiations are in progress with the employer to recover the funds. In addition, documentation is being developed for referral of the case to the Department of Justice in the event enforced collection is necessary.

INSPECTOR GENERAL'S RECOMMENDATIONS (CONTINUED)

10. Continue efforts to establish railroad unemployment and sickness insurance claims matches with at least three additional States. Estimated recurring savings: $0.51 million.	In process: Matching programs are in place with seven States and agreements have recently been reached with three additional States. Agreements are also being developed for two more States. When all five new agreements are in place, more than 50 percent of railroad employees' benefit claims will be matched with State wage records.
11. Obtain more complete data to calculate the financial interchange among the Railroad Retirement Board, Social Security Administration, and the Health Care Financing Administration. Estimated recurring income: $2.40 million.	In process: The Inspector General is performing additional audit work to identify cases with missing data so the records can be corrected.
12. Review detailed listings of deposits by the Department of the Treasury to the railroad retirement accounts to ensure the integrity of the trust funds. Estimated one-time income: $117.70 million Estimated recurring income: $9.80 million.	Implemented: The Department of Treasury corrected the understatements it made in revenues due the railroad retirement trust funds. One of the changes involved a $35 million transaction that was recorded as a charge instead of a credit resulting in an error of $70 million plus interest (about 59 percent of the estimated one-time income from this item). Also, deposit listings obtained by the Office of Inspector General from the Department of the Treasury are now reconciled by the Railroad Retirement Board with daily revenue transactions credited to the trust funds.

INSPECTOR GENERAL'S RECOMMENDATIONS (CONTINUED)

13. Check up on student attendance and graduation to make certain students are still eligible for railroad retirement benefits. Estimated recurring savings: $0.20 million.	Implemented: Increased emphasis has been placed on monitoring benefits to students and terminating benefits timely, if necessary.
14. Deobligate $3.22 million of undocumented obligations. Estimated amount: $3.22 million.	Implemented: These funds were deobligated and continue to earn interest in the Railroad Retirement Board's trust funds.
15. Implement procedures for meeting the new (effective October 1, 1989) requirement for recovering check amounts from financial institutions or endorsers within one year, instead of six years, due to the beneficiary's death or legal incapacity. Estimated recurring savings: $0.42 million.	Implemented: Procedures have been implemented to comply with provisions of the Competitive Equality Banking Act.
16. Complete efforts to identify and collect possible unpaid Supplemental Medical Insurance premiums from beneficiaries. Estimated one-time savings: $0.65 million.	In process: The Railroad Retirement Board has developed procedures with the Social Security Administration for the recovery of uncollected premiums. The agency is also reviewing suspect cases identified earlier, and is working with the Health Care Financing Administration to make periodic computer matches.

INSPECTOR GENERAL'S RECOMMENDATIONS (CONTINUED)

17. Improve the procedure for transferring Supplemental Medical Insurance cases to the Social Security Administration when the Railroad Retirement Board's jurisdiction ends. Also, collect any unpaid premiums. Estimated one-time savings: $1.50 million.	In process: Although new procedures have been implemented to ensure transfer actions are completed, the Railroad Retirement Board intends to review all transfer situations to make sure these procedures are complete.
18. Correct inadvertent errors in 17 cases involving the calculation of railroad retirement and dual benefits. Estimated one-time savings: $0.22 million.	In process: The Railroad Retirement Board is in the process of recovering the identified overpayments.

FUNDING FOR OFFICE OF INSPECTOR GENERAL

Mr. Natcher: How do you determine the share of the Inspector General's funding that comes from each of the trust funds?

Mr. Crawford: The Inspector General's funding comes from four trust funds. Three of these pertain to retirement program operations: the Railroad Retirement Account (RRA), the Railroad Social Security Equivalent Benefit (SSEB) Account, and the Railroad Retirement Supplemental Account (RRSA). The fourth, the Railroad Unemployment Insurance Account (RUIA), pertains to unemployment and sickness insurance program operations. Funding for the Inspector General depends on the level of work to be performed for each benefit program.

Initially, a determination is made concerning the level of work to be performed for the retirement program and the unemployment and sickness insurance program. This determination establishes the level of funding that will come from the retirement accounts and the RUIA. Once this division is established, funding for the Inspector General from the retirement accounts (RRA, SSEB, and RRSA) is determined based on the proportionate share of funding the Limitation on Administration receives from each of the three retirement trust funds. That is, the Inspector General's funding from the retirement accounts is in the same ratio as the funding the Limitation on Administration receives from the RRA, the SSEB Account and the RRSA.

ORIGINAL BUDGET REQUEST

Mr. Natcher: What was your original 1991 funding and staffing request to the Office of Management and Budget for administrative expenses, and how does that compare to your current request in the President's budget?

Mr. Chamberlain: In August 1989, the Railroad Retirement Board (RRB) submitted a fiscal year 1991 budget request for 1,642 full-time equivalent employees (FTE's) and $94,544,000 in administrative expenses, excluding $200,000 for a statutory reserve.

The Administration's proposal includes 1,642 FTE's and $88,157,000 for administrative expenses in fiscal year 1991, excluding an increased statutory reserve of $500,000.

Mr. Natcher: List in priority order, the items included in your original 1991 request to OMB for administration which were subsequently excluded from the current request in the President's Budget.

Mr. Chamberlain: The amount proposed by the Administration will not adequately fund the following anticipated fiscal year 1991 costs. (Grouped by type of expenditure and listed in priority order.)

- $760,000 for the second year of a 3-year lease-to-purchase of our computer direct access storage devices. (The Administration's approval of the lease-to-purchase arrangement came after the preparation of the Administration's budget.)

- $465,000 to cover costs for printing and reproduction, postage, payments to the Treasury, and medical fees for applicant/beneficiary examinations.

- $335,000 for repairs and maintenance of equipment.

- $1.1 million to cover increased salary and benefit costs. We requested $59.9 million for personnel compensation and benefits. The Administration's budget provides $58.8 million for these costs. Both levels of funding include (1) the extra costs of 17 additional full-time equivalent employees -- (FTE's) 1,642 FTE's in fiscal year 1991 versus 1,625 FTE's in fiscal year 1990, (2) the full-year costs for the January 1990 pay raise, and (3) one-half of the January 1991 pay raise (the Administration expects the Railroad Retirement Board to absorb the other half of the 1991 pay raise within its budget). Our requested funding level would provide additional funds for (1) normal grade and step increases, (2) expected increases in health insurance costs, (3) increased retirement costs as we employ more employees under the Federal Employees Retirement System (FERS) and (4) awards based on Office of Personnel Management guidance.

- $832,000 to procure equipment items, such as personal computers, copiers, microfiche readers, computer terminals, systems furniture, and mainframe hardware/software. The Administration's budget includes funding for the mainframe computer, but no funds are provided for other equipment.

- $2.3 million in contract funds to (1) improve our taxation and retirement claims processing systems ($1.4 million); (2) develop a cost accounting system ($200,000); (3) provide for ongoing software maintenance of our payroll and financial management systems as required ($30,000); (4) provide some computer-based training ($50,000); and (5) maintain and repair our headquarters building, including replacement of air-conditioning pumps, replacement of cooling coils, replacement of an air handling unit, and elevator upgrade ($601,100).

- $321,000 to cover supply items and other services costs.

- $279,000 to cover costs associated with staff training.

STAFFING FOR AUTOMATION AND NEW LEGISLATION

Mr. Natcher: What are the 1989, 1990, and 1991 FTE levels for automation and implementation of new legislation?

Mr. Crawford: Implementation of new legislation (the Railroad Unemployment Insurance and Retirement Improvement Act of 1988, Public Law 100-647) has required a number of changes which have affected both the unemployment and sickness insurance and retirement programs. It is estimated that when completed, these activities will have required a total of about 54 full-time equivalent (FTE) staff years (41 FTE's in fiscal year 1989 and 13 FTE's in fiscal year 1990), including systems analysis and programming time.

We estimate that a total of 26 FTE's (17 FTE's in fiscal year 1989 and 9 FTE's in fiscal year 1990) will be required to implement the unemployment and sickness insurance portion of Public Law 100-647. Included in this total are FTE's to develop a major new system to support experience rating operations and a new system to support pre-payment verification for unemployment and sickness insurance claims. Additional FTE's are being used in carrying out these activities.

Public Law 100-647 contained eight changes which affected the retirement program operations. Although some of the amendments affect only a small number of claims, complex design changes had to be made in the processing systems to comply with the new legislation. When completed, the agency will have used an estimated 28 FTE's (24 FTE's in fiscal year 1989 and 4 FTE's in fiscal year 1990), primarily from the bureaus of retirement claims and data processing to perform this work.

In addition to implementing legislative changes, we are also using a significant amount of staff time to redesign our tax accounting system and to modernize our retirement claims processing systems. In fiscal year 1989, we used more than 35 FTE's toward these efforts. Beginning in April 1990, we have formed a new bureau of systems initiatives to concentrate on implementing the objectives in our revised automation plan, including objectives for both the tax system and our retirement claims processing system. With the new bureau, we expect to use nearly 49 FTE's in fiscal year 1990, and 70 FTE's in fiscal year 1991.

DUAL BENEFITS PAYMENTS ACCOUNT

Mr. Natcher: Provide a 5-year table from 1985 to 1989 on the Dual Benefits Account which shows the number of beneficiaries receiving dual benefits, the average monthly benefit, the appropriation, and the amount lapsed.

Mr. Chamberlain: The following table shows the information you requested.

Dual Benefits Payments Account Activity

Item	Fiscal years 1985	1986	1987	1988	1989
Number of beneficiaries (end of year)	314,416	296,009	278,628	260,697	244,718
Average monthly benefit (end of year)	$103.69	$106.17	$108.89	$111.66	$114.57
Appropriation 1/	$405,000	$375,135	$380,000	$352,323	$350,740
Lapsed appropriations 1/	$3,868	$2,371	$6,561	$3,326	$4,840
Uncashed checks 1/ 2/	716	95	101	129	-30
Total lapse 1/	$4,584	$2,466	$6,662	$3,455	$4,810

1/ Amounts shown are in thousands.

2/ The provision which permits uncashed checks to be returned to the account does not remove the obligation to pay these benefits; therefore, the principal amount of uncashed checks may not be re-obligated.

PAY RAISES

Mr. Natcher: What is the amount of the 1990 and 1991 pay raises which was absorbed?

Mr. Crawford: Section 512 of P.L. 101-166 required full absorption, within the levels appropriated, of the January 1990

pay raise of 3.6 percent, which amounted to $1.5 million. The President's 1991 budget assumes 50 percent absorption of an anticipated 3.5 percent pay raise beginning in January 1991. Absorption of 50 percent of this pay raise would be approximately $857,000.

AUTOMATION FUNDING

Mr. Natcher: Provide a breakdown of the automation system funding by major component for 1989, 1990, and 1991.

Mr. Chamberlain: The following chart show costs associated with the agency's automation initiatives during the period fiscal years 1989 through 1991.

Costs Associated with New Automation Initiatives
(in thousands)

Automation initiatives	Fiscal Years 1989	1990	1991
Salaries and related personnel benefits for in-house staff:			
Retirement claims and taxation initiatives	$1,179	$1,728	$ 2,590
Experience rating, including pre-payment verification	568	320	-
Purchase and installation of mainframe computer	-	-	9,800
Contract costs related to retirement claims and taxation initiatives	342	500	1,600
Lease-to-purchase of direct access storage devices	-	600	788
Total	$2,089	$3,148	$14,778

AUTOMATION EQUIPMENT

Mr. Natcher: What are your plans for the old computer mainframe once the new computer is installed?

Mr. Crawford: The old computer mainframe will be declared as excess equipment, and we will dispose of it in accordance with the guidelines in the Federal Property Management Regulations.

Mr. Natcher: How many computer terminals do you have and what is your goal?

Mr. Crawford: We currently have 1,128 computer terminals. Over the next 2 years we will need about 200 more to support our new on-line operations. We estimate that the additional terminals will cost about $142,500 and that the controllers and multiplexers needed to connect them will cost about $55,300, for a total cost of $197,800.

PROCESSING TIME

Mr. Natcher: Provide a table which displays the percentage of initial claims processed in 30 days, 60 days, 90 days and over 90 days for 1987 through 1989.

Mr. Chamberlain: The following table shows the information you requested for each fiscal year (FY).

Retirement Program Operations
Timeliness of Processing

Elapsed Time for Partial Payment, From Date of Filing

	FY 1987 [1]	FY 1988	FY 1989
Age and Service			
Within 30 days	-	51.6%	66.5%
Within 60 days	-	89.2	89.5
Within 90 days	-	95.6	94.5
Over 90 days	-	4.4	5.5
Spouse			
Within 30 days	-	53.8%	60.6%
Within 60 days	-	84.1	86.6
Within 90 days	-	93.0	93.4
Over 90 days	-	7.0	6.6

[1] Information is not available for this fiscal year.

Retirement Program Operations
Timeliness of Processing (Continued)

Elapsed Time for Final Disposition, From Date of Filing

	FY 1987	FY 1988	FY 1989
Age and Service			
Within 30 days	4.0%	16.4%	30.5%
Within 60 days	24.7	38.2	55.6
Within 90 days	46.8	58.3	69.9
Over 90 days	53.2	41.7	30.1
Employee Disability Ratings			
Within 30 days	1.5%	2.0%	3.5%
Within 60 days	8.4	14.5	18.3
Within 90 days	23.7	34.8	36.6
Over 90 days	76.2	65.2	63.4
Spouse			
Within 30 days	13.0%	17.6%	16.8%
Within 60 days	32.5	39.5	38.5
Within 90 days	51.7	57.2	55.0
Over 90 days	48.3	42.8	45.0
Survivor Monthly Benefits			
Within 30 days	2.4%	3.1%	3.8%
Within 60 days	19.3	25.1	22.7
Within 90 days	47.1	56.4	49.7
Over 90 days	52.9	43.6	50.3
Survivor Lump Sum			
Within 30 days	6.9%	9.4%	7.5%
Within 60 days	30.5	38.7	31.7
Within 90 days	54.3	63.6	55.2
Over 90 days	45.7	36.4	44.8

ACCURACY RATES

Mr. Natcher: What were the case and payment accuracy rates for 1988 and 1989?

Mr. Crawford: Our quality assurance records show the following rates for those fiscal years (FY's).

Retirement Case Accuracy and Payment Accuracy Rates

Claims for retirement and survivor benefits	Case accuracy rate 1/		Payment accuracy rate 2/	
	FY 1988	FY 1989	FY 1988	FY 1989 3/
Initial claims				
• Age and service	87.2%	90.3%	99.38%	99.27%
• Spouse	86.7%	85.0%	98.58%	97.28%
• Widow(er)	64.7%	75.3%	98.76%	98.02%
Adjustments				
• Age and service	78.0%	75.4%	99.69%	99.72%
• Spouse	78.7%	83.1%	99.24%	99.19%
• Widow(er)	82.4%	86.1%	99.89%	98.93%

1/ The case accuracy rate is the percentage of cases paid correctly--without a material error. A material error is (1) an incorrect payment of $5.00 or more, (2) an incorrect payment of less than $5.00 but more than 1 percent of the monthly annuity rate, or (3) any situation in which a non-entitled beneficiary is paid.

2/ The payment accuracy rate is the percentage of dollars paid correctly.

3/ Review is continuing for cases processed during fiscal year 1989. These statistics reflect cases that have been reviewed through March 1990.

WORKLOAD FORECASTS

Mr. Natcher: Provide the principal workload forecasts for 1990 and 1991.

Mr. Chamberlain: Shown below are major workload estimates for the retirement/survivor and unemployment/sickness insurance programs.

Retirement and Survivor Workload Forecasts

Workload	Fiscal year 1990	1991
Average number of annuitants	896,000	881,000
New applications		
Employee age and disability	23,000	22,000
Spouse	20,000	19,000
Survivor	26,000	26,000
Total	69,000	67,000
Reactivated applications		
Employee age and disability	26,000	26,000
Spouse	13,000	12,000
Survivor	18,000	18,000
Total	57,000	56,000
Number of payments		
Employee	5,000,000	4,900,000
Spouse	2,700,000	2,700,000
Survivor	3,600,000	3,500,000
	11,300,000	11,100,000
Supplemental annuity awards	11,000	10,000
Social security benefits		
Awards	11,000	11,000
Reactivated applications	27,000	26,000
Medicare enrollments	9,000	9,000

Unemployment and Sickness Insurance Workload Forecasts

Workload	Fiscal year 1990	1991
Average railroad employment	296,000	289,000
Unemployment insurance		
Applications	48,000	44,000
Claims	305,000	298,000
Payments	245,000	240,000
Pre-payments verifications [1]	26,000	34,000
Employer appeals [2]	2,000	3,000
Sickness insurance		
Applications	46,000	43,000
Claims	290,000	287,000
Payments	232,000	231,000
Pre-payment verification [1]	15,000	20,000
Employer appeals [2]	3,000	3,000

[1] Pre-payment verification data assumes that employers will respond to pre-payment notification for 10 percent of unemployment insurance applications and claims and 7 percent of sickness insurance applications and claims.

[2] Employer appeals data assumes that employers will appeal 1 percent of paid unemployment and sickness insurance claims.

Field service contacts (not shown above)

Workload	Fiscal year 1990	Fiscal year 1991
Retirement/survivor		
Maintenance contacts (telephone) 3/	773,000	760,000
Program integrity	6,000	6,000
Supplemental medical insurance contacts (telephone)	104,000	102,000
Unemployment/sickness		
Interviews	22,000	20,000
Program integrity	6,500	6,500
Placements	300	300
Sickness insurance contacts (telephone)	171,000	169,000

3/ Includes cost-of-living and income tax contacts.

ACCOUNTS RECEIVABLE

Mr. Natcher: What was the total accounts receivable in 1989, and how much was written off?

Mr. Crawford: The data you requested is provided below for both the retirement/survivor and unemployment/sickness insurance programs.

Accounts Receivable - Fiscal Year 1989

Amount established	$81,400,000
Amount written off	$ 700,000
Percent of receivables established that were written off	.86%
Percent of benefit payments written off	.01%

YIELD ON INVESTMENTS

Mr. Natcher: What was the average yield of the Treasury instruments held by the Railroad Retirement Account in 1989?

Mr. Chamberlain: The yield on all holdings of the Railroad Retirement Account for fiscal year 1989 was 9.64 percent.

AUTOMATION CONTRACTS

Mr. Natcher: How much of your automation plan will be contracted and how much of the work will be done in-house in 1990 and 1991?

Mr. Crawford: Most of the automation activities will be done in-house. However, during fiscal year 1990, two projects will be contracted out. The first is the Railroad Retirement Act Processing Integrated Database (RRAPID). The contractor will deliver a design for an integrated retirement database and implement a pilot system. The second is the Taxation System Test Facility. This facility will provide the ability to create test data quickly in order to thoroughly test software changes to the tax system. This should help ensure the accuracy of tax data.

In addition, we have requested $1.6 million for automation-related contractual services in fiscal year 1991. We plan to use $200,000 of this amount to develop a cost accounting system, and the remaining $1.4 million to provide contractual support for the various projects under our automation plan to improve our taxation and retirement claims processing systems.

EFFECT OF BUDGET CONSTRAINTS ON STAFFING

Mr. Natcher: Has the impact of sequestration or absorption of the 1990 pay raise prevented you from hiring up to your FTE ceiling?

Mr. Chamberlain: No, sequestration has not prevented us from hiring up to our full-time equivalent (FTE) ceiling. Since maintaining the Congressionally-mandated increase in our FTE ceiling to 1,625 FTE's in fiscal year 1990 is vital in our efforts to implement recently enacted legislation and improve our automated systems, other planned expenditures were deferred or reduced $2,365,000 (absorption of the $1,500,000 pay raise and $865,000 due to sequestration) in order to fully fund this FTE level. Listed below are the categories reduced to fund the pay raise and the sequester of direct administrative funds.

Reduction in Fiscal Year 1990 Budget
(In thousands)

	Reduction needed		
	To fund pay raise	Due to sequester	Total
Systems furniture	$ 650	$ -	$ 650
Contractual assistance for continuing automation initiatives	396	350	746
New automation equipment and updated equipment for the field service and headquarters	379	250	629
Contractual assistance for keypunching services	-	150	150
Overtime	-	90	90
Training	75	-	75
Supplies	-	25	25
Total	$1,500	$865	$2,365

STAFFING FOR EXPERIENCE RATING

Mr. Natcher: How many FTE's will be used to implement the experience rating system in 1990 and 1991?

Mr. Crawford: We have projected 9 full-time equivalent (FTE) staff years will be needed to complete development of the experience rating system in fiscal year 1990. An additional 13 FTE's will be needed to process work required for the experience rating and prepayment verification systems in fiscal year 1990. This includes over 7 FTE's in the field service to process pre-payment verifications. In fiscal year 1991, we expect that we will need about 25 FTE's for this work, including nearly 10 FTE's for pre-payment verifications in the field service.

PAY RAISE

Mr. Conte: Does your budget provide for funding the pay raise?

Mr. Chamberlain: Our budget provides for funding 50 percent of the 3.5 percent pay increase anticipated in January 1991. The Administration's 1991 budget assumes that we will absorb the other 50 percent of the pay increase. Estimates indicate that 50 percent of the 1991 pay raise will total approximately $857,000.

EFFECT OF SEQUESTER

Mr. Conte: Last December, President Bush issued a revised sequester order retroactively establishing a new 1.4 percent sequester on non-defense budgets for 1990. As you know I worked to stop Gramm-Rudman from cutting the railroad retirees' benefits. What effect has this order had on the Railroad Retirement Board?

Mr. Crawford: Both administrative funds and benefit payments of the Railroad Retirement Board have been affected by the sequester order issued last December.

Regarding administrative funds, the sequester reduces available funding for direct administrative expenses by $865,000 (or about 1.4 percent). This reduction pertains solely to the railroad retirement program. Thus, of the $63,700,000 (excluding the $200,000 statutory reserve) appropriated for administering the railroad retirement program, only $62,835,000 is available. Administrative expenses for the railroad unemployment insurance program were determined not to be subject to the sequester because the amount made available for administrative expenses in fiscal year 1990 by the Congress ($14,100,000) is less than the Gramm-Rudman-Hollings sequester baseline amount ($14,555,000) as determined by the Office of Management and Budget (OMB).

Two categories of benefit payments (supplemental annuity benefits and unemployment and sickness insurance benefits) are covered by the sequester order. After applying the sequester amount of $788,000 (calculated in accordance with OMB instructions) to the amount of supplemental annuity benefit payments estimated to be accrued in fiscal year 1990 ($106,119,000), payments for supplemental annuity benefits in fiscal year 1990 will actually be reduced 0.7 percent, resulting in an average monthly annuity of $46 being reduced by 33 cents a month for the rest of the fiscal year.

Reductions under the revised final sequester order for unemployment and sickness insurance benefits are based on a sequester amount of $1,773,800 (calculated in accordance with OMB instructions). This amount was then divided by an updated estimate for benefits payable in fiscal year 1990 ($103,126,200), resulting in an actual sequester percentage of 1.7 percent. As a result, maximum biweekly benefits will be reduced by $5.27, from $310 to $304.73, for the remainder of the fiscal year.

The sequester process created a degree of uncertainty and confusion among our beneficiaries as to the correct amount of their benefits. The first sequester order for a 5.3 percent reduction, the later retroactive adjustment of the sequester to 1.4 percent, and the subsequent refund of excess withholdings to beneficiaries because of the adjusted sequester percentage all contributed to this uncertainty and confusion.

Finally, the sequester process cost the agency over $600,000 in administrative expenses to implement. These costs included salaries and benefits for in-house staff, postage for mailings to beneficiaries, charges for check refunds, and other miscellaneous expenses.

INCOME TAX TRANSFER

Mr. Conte: In last year's budget reconciliation act Congress extended the transfer of income taxes on tier 2 benefits from the Department of Treasury's general fund to the Railroad Retirement Account through FY 1990. How much will this transfer provide to the Railroad Retirement Account?

Mr. Chamberlain: Our projections indicate that the Railroad Retirement Account will receive $100.5 million in Federal income tax revenues in fiscal year 1990. This represents a net transfer after adjustments for prior years. Without the adjustments for prior years, the transfer is estimated at $182 million.

TAX ACCOUNTING SYSTEM

Mr. Conte: Since the Railroad Retirement Solvency Act was enacted in 1983 many things have changed. Is a restructuring of the retirement tax accounting system warranted?

Mr. Crawford: Yes, a restructuring of the retirement tax system is warranted. Let me give you a little history to explain the problems with the system.

Prior to the Railroad Retirement Solvency Act, only the supplemental annuity was subject to Federal income tax provisions. The Solvency Act resulted in the development of the tax accounting system, and subsequent legislation required major changes to the system.

First, the Consolidated Budget Reconciliation Act of 1985 (enacted in April 1986) provided that only a portion of the tier I benefit (the amount equivalent to a social security benefit) was to be taxed like a social security benefit. The second legislative change, the Tax Reform Act of 1986, eliminated the 3-year rule method for determining the amount of taxable contributory pension payments. The agency was required to begin using the general rule method for annuities effective after July 1, 1986. Both of these changes had a major impact on the tax accounting system. Although much work has been done, implementation of all the required systems changes has still not been completed.

The Board recently reviewed and set priorities for its automation initiatives including the tax accounting system. The resulting plan calls for a series of incremental improvements and the creation of a special study group to develop a comprehensive redesign of the tax accounting system.

PAYMENT ACCURACY

Mr. Conte: In the retirement-survivor program, what percentage of the cases receive incorrect payments?

Mr. Chamberlain: Our quality assurance records show that in fiscal year 1989, the following percentages of claims were found to contain a material error. A material error is (1) an incorrect payment of $5.00 or more, (2) an incorrect payment of less than $5.00 but more than 1 percent of the monthly annuity rate, or (3) any situation in which a non-entitled beneficiary is paid.

Type of benefit	Percent containing a material error
Initial claims	
.Age and Service	9.7
.Spouse	15.0
.Widow(er)	24.7
Adjustments	
.Age and Service	24.6
.Spouse	16.9
.Widow(er)	13.9

BACKLOGS

Mr. Conte: In the retirement-survivor program, how many cases are backlogged?

Mr. Crawford: As of February 28, 1990, we had a total of 190,084 cases on hand in our 12 targeted backlog categories. We estimate that 23,460 of these cases represent a normal working balance, and the remaining 166,624 represent backlogged work.

Mr. Conte: What is the main cause of the backlog?

Mr. Crawford: The backlog has occurred due to the limitations of our automated systems, the complexity of the railroad retirement program, and limited staffing. Delays and errors in manual processing can cause fallout from our automated mass adjustments and generate the following types of work in our backlogs:

1) Records that reject from the mass adjustment computer run for the cost-of-living increase;

2) Records that were adjusted for the cost-of-living increase, but were coded for review because of discrepancies in the records; and

3) Cases coded for reject or review in mass mechanical adjustments to include earnings after retirement.

In addition, we have a large number of records which require manual review and correction based on our post edit of the master benefit file. These records contain missing or possibly erroneous data which could affect future mass adjustments. This category represents the largest percentage of the backlogged cases. The backlog was created in May 1987 because the post edit operation needed revision and was not run between August 1981 and May 1987.

Mr. Conte: Could a one-time influx of staff solve your backlog problem?

Mr. Crawford: A one-time influx could solve the backlog problem. However, hiring a large number of examiners at one time would cause some administrative problems in providing proper training, supervision, and office space. Whether additional staffing is provided all at once, or gradually over a multi-year period, we believe that new hires will not be immediately productive and it would take several years before the existing backlog problem is solved.

STAFFING

Mr. Conte: What is your attrition rate for examiners?

Mr. Chamberlain: We estimate that our annual attrition rate for claims examiners is about 24 percent. This includes employees transferring to other jobs within the agency as well as those leaving the Board. We currently have 154 claims

examiners assigned to the retirement and survivor area. During fiscal year 1989 and the first half of fiscal year 1990, there were 34 individuals who began retirement and survivor training programs. During the same period, 55 examiners either left the agency or transferred to other positions. This loss of trained and experienced claims examiners negatively impacts our ability to process claims, particularly in the post-adjudication area.

Mr. Conte: What are you doing to secure and keep good examiners?

Mr. Chamberlain: Our recruitment efforts for claims examiners include both internal and external activities. We select employees from within the agency who have demonstrated the aptitude for claims examining. Our external recruitment efforts include contacting college placement offices, placing advertisements in newspapers, and setting up recruitment booths at college career days.

In addition, to help retain good employees we provide career opportunities for examiners to transfer or be promoted to other parts of the agency, such as data processing, personnel and the field service. While this policy has a downside to it because we are losing good examiners, it has allowed us to hire good people who might not have accepted the position if claims examining did not provide an opportunity for further advancement.

Recently, we have also undertaken extensive renovation of the area where our claims examiners work. New furniture, carpeting, and lighting have been installed in order to establish a pleasant and more productive work environment.

NEW COMPUTER

Mr. Conte: You want to buy a $9.8 million mainframe computer. Why is this needed?

Mr. Crawford: Our current mainframe has served us adequately from 1985 to the present, during which time major increases in the workload have occurred. However, the workload has increased to the point that it now saturates the capacity of the mainframe. The computer does not have sufficient capacity to enable the Board to undertake automation improvements that are needed to improve our service levels.

During the last 8 years, legislative changes have had a significant impact on our computer workload. The Railroad Retirement Solvency Act of 1983 placed a major tax accounting burden on our computer system. The Consolidated Budget Reconciliation Act of 1985 increased this tax accounting workload, as did the Tax Reform Act of 1986. In addition, the Railroad Unemployment Insurance and Retirement Improvement Act of 1988 required the development of new experience rating and

pre-payment verification systems, which also placed an added load on the computer.

During this time, the Board was able to improve some of its existing processing systems by installing data communication links with its field service and by providing its headquarters staff and field service staff with more on-line systems and terminals. These improvements have resulted in an increase in the volume of on-line transactions on a daily basis. However, the improved systems use more computer resources.

Developing new database systems, as well as operating them, will require more computer capacity. In November 1989, we completed a sizing study which indicated that we need a processor approximately five times more powerful than our current one if we are to attain our objectives. To validate our sizing estimates, the Board contracted with the Federal Systems Integration and Management Center (FEDSIM) to review the methodology and assumptions used in our sizing study. FEDSIM's review is also intended to provide an objective validation of the sizing study results. Upon completion of its review, we will make copies of its report available to this Committee.

We believe that a larger mainframe will be necessary to enable us to continue making progress. The improvements that are an integral part of the agency's strategic plan for the next 5 years will require resources that the current computer cannot provide. To achieve our overriding goal of improving the accuracy and timeliness of service to our beneficiaries, we will need additional computing resources.

Mr. Conte: What procurement options have you explored?

Mr. Crawford: We explored the following alternative procurement options for this acquisition. Under each of the alternatives we will need an additional $300,000 in the first year for data center improvements in electrical and in heat dissipation support.

- Outright purchase - Based on current procurement plans, funding in the amount of $9.5 million would be required in the second quarter of fiscal year 1991. Our analysis indicates that this would be the least costly approach.

- Lease-to-purchase over a 3-year period - Under this alternative, title would be passed to the Board in the thirty-sixth month of a lease-to-purchase arrangement after payments totaling $11.52 million, or $3.84 million annually. Using a 10 percent discount rate, we estimate that the present value of this arrangement would be about $10.06 million.

- Lease-to-purchase over a 5-year period - This alternative is similar to the 3-year lease-to-purchase plan except that payments would total $12.97 million, or about $2.59 million annually. Discounted at a 10 percent rate, the present value would be $10.36 million.

- Simple lease - A simple rental arrangement for a lengthy period of time is not customary for equipment of this type. Vendors will quote rental charges for short term use of a large mainframe. However, monthly rates quoted usually exceed 10 percent of the purchase price. On an annual basis, this would amount to $11.4 million based on a purchase price of $9.5 million.

ACCOUNT BALANCES

Mr. Conte: To determine the actual impact the programs under the jurisdiction of the Railroad Retirement Board have on taxpayers, we need to use your intermediate assumptions and compare the sum of taxes collected for tier 2 and unemployment compensation with the tier 2 benefits, unrecompensed tier 1 benefits and benefits paid from the unemployment and sickness benefits program. What would these computations reveal about the Board?

Mr. Chamberlain: The following schedules show the estimated beginning balances, projected income, projected outlays, and estimated ending balances for the Railroad Retirement Account and Railroad Unemployment Insurance Account for fiscal years 1991 through 1995. The estimates are based on the Administration's economic assumptions for current law as of November/December 1989 and on an "intermediate" range assumption for average railroad employment.

Railroad Retirement Account
Estimated Income and Outlays
Fiscal Years 1991 through 1995
(in millions)

Item	Fiscal year				
	1991	1992	1993	1994	1995
Beginning account balance	$8,399	$8,900	$9,331	$ 9,711	$10,065
Plus income:					
Payroll taxes	2,293	2,345	2,393	2,447	2,493
Other income, including interest	885	870	860	863	723
Less outlays:					
Benefit payments	2,637	2,744	2,833	2,917	2,977
Other expenses	40	40	40	39	39
Ending account balance	$8,900	$9,331	$9,711	$10,065	$10,265

Note: Based on the above estimates, the cash balance in the Railroad Retirement Account will continue to grow for the next 5 years. In fact, the overall conclusion, based on the 17th Actuarial Valuation and the 1989 actuarial report, is that barring a sudden, unanticipated, large decrease in railroad employment, the railroad retirement system will experience no cash flow problems during the next 20 years. The long-term stability of the system, however, is still questionable. Under the current financing structure, actual levels of railroad employment over the coming years will determine whether corrective action is necessary.

Railroad Unemployment Insurance Account
Estimated Income and Outlays
Fiscal Years 1991 through 1995
(in millions)

Item	Fiscal year 1991	1992	1993	1994	1995
Beginning account balance 1/	$207.7	$308.7	$343.0	$298.9	$257.8
Plus income:					
Contributions	181.8	121.8	44.3	57.5	56.0
Other income	24.9	29.8	27.6	22.4	19.7
Less outlays:					
Unemployment benefits	63.7	66.0	65.0	68.4	67.1
Sickness benefits	41.1	50.4	50.1	51.7	51.5
Other expenses	.9	.9	.9	.9	.9
Ending account balance	$308.7	$343.0	$298.9	$257.8	$214.0

1/ The beginning account balances exclude the outstanding loan to the Railroad Retirement Account. This loan, which was $415.3 million as of December 31, 1989, is expected to be repaid in full by 1994.

Note: Contribution amounts decline in fiscal years 1991 through 1993 because the tax rate declines under the experience rating model to compensate for a "large" cash balance in the account. The tax rate increases in 1994 and 1995 as the model attempts to stabilize the declining balance in the account.

COORDINATION WITH OFFICE OF INSPECTOR GENERAL

Mr. Conte: Over the past four and a half years the inspector general has had 178 convictions. What has been the nature of those convictions?

Mr. Crawford: Investigations by the Railroad Retirement Board's Office of Inspector General have resulted in the following convictions (shown by program and by fiscal year).

Convictions Resulting from Office of Inspector General Investigations

Program	Fiscal year 1986 1/	1987	1988	1989	1990 2/	Total
Retirement		2	9	19	5	35
Disability			1			1
Medicare					4	4
Unemployment Insurance	1	7	42	47	33	130
Sickness Insurance	—	1	3	3	1	8
	1	10	55	69	43	178

1/ Office of Inspector General investigative efforts were initiated in January 1986.
2/ Numbers shown are for 6 months, through March 31, 1990.

Mr. Conte: How closely do you work with the IG to prevent situations where there are violations in the law?

Mr. Crawford: The Railroad Retirement Board (RRB) works very closely with the Office of Inspector General to identify and prevent situations where there are violations of the law. The Office of Inspector General is the primary law enforcement contact point for the RRB. We have agreed to refer to the Office of Inspector General all potential fraud cases resulting from our various program integrity activities. More than 60 percent of the open Office of Inspector General investigative cases are due to RRB referrals.

U.S. RAILROAD RETIREMENT BOARD

JUSTIFICATION OF BUDGET ESTIMATES

FISCAL YEAR 1991

FEB 05 1990

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TABLE OF CONTENTS

	Page Number
SUMMARY OF APPROPRIATION ESTIMATES FOR FISCAL YEAR 1991	1
AGENCY OVERVIEW	
Programs Administered by the Railroad Retirement Board	3
Financing of Railroad Retirement Benefits	4
Financing of Unemployment and Sickness Insurance Benefits	5
Description of Appropriation Requests	6
CONSOLIDATED SCHEDULE OF ADMINISTRATIVE EXPENSES	
Summary by Limitation Account	9
Program by Activity	10
Obligation Table	11
Personnel Summaries	12
Funding for Major Contracts	14
JUSTIFICATION OF ESTIMATES - LIMITATION ON ADMINISTRATION	
Proposed Appropriation Language	17
Explanation of Proposed Appropriation Language	19
Authorizing Legislation	21
Program by Activity	23
Financing	24
Obligation Table	26
Personnel Summary	27
Explanation for Changes Between the 1990 Enacted and 1991 Proposed Budgets	28
Appropriations History Table	30
Justification by Activity	
General	31
Maintenance of rail earnings accounts	33
Processing applications	34
Maintenance of beneficiary rolls	36
Medicare	37
Administration	38
Facility management	39
JUSTIFICATION OF ESTIMATES - LIMITATION ON RAILROAD UNEMPLOYMENT INSURANCE ADMINISTRATION FUND	
Proposed Appropriation Language	41
Explanation of Proposed Appropriation Language	43
Authorizing Legislation	44
Program by Activity	45
Financing	46
Obligation Table	48
Personnel Summary	49

TABLE OF CONTENTS

	Page Number
Explanation for Changes Between the 1990 Enacted and 1991 Proposed Budgets	50
Justification by Activity	
General	52
Maintenance of rail earnings accounts	53
Processing claims - unemployment	55
Processing claims - sickness	56
Rail claimant placement services	57
Administration	58
Facility management	59
JUSTIFICATION OF ESTIMATES - DUAL BENEFITS PAYMENTS ACCOUNT	
Proposed Appropriation Language	61
Explanation of Proposed Appropriation Language	62
Authorizing Legislation	63
Appropriations History Table	64
Program by Activity	66
Financing	66
Explanation of 1991 Request	67
JUSTIFICATION OF ESTIMATES - FEDERAL PAYMENTS TO THE RAILROAD RETIREMENT ACCOUNTS	
Proposed Appropriation Language	69
Explanation of Proposed Appropriation Language	70
Authorizing Legislation	71
Appropriations History Table	71
Program by Activity	71
Financing	71
Explanation of 1991 Request	72
OTHER INFORMATION	
Automation Activities for the Railroad Retirement Benefit Program	73
Statement to the Congress Concerning Progress in Establishing Effective Management Controls and Improving the Accuracy and Completeness of Information Provided to the Federal Procurement Data System on Contracts for Consulting Services	79
Statement to the Congress Concerning Agency Compliance on the Use of Federal Funds for Influence Peddling	80
Summary of Full-time Permanent Positions	81

Note: The following pages are blank: 8, 16, 18, 42, 78

RAILROAD RETIREMENT BOARD

SUMMARY OF APPROPRIATION ESTIMATES
FOR FISCAL YEAR 1991

Account	Estimate FTE's	Estimate Amount	Page number
Limitation on Administration	1,332 a/	$ 72,200,000 b/	17
Limitation on Railroad Unemployment Insurance Administration Fund	310	$ 16,457,000 c/	41
Total	1,642	$ 88,657,000	
Limitation on Review Activity	119	$ 7,698,000	d/
Dual Benefits Payments Account	---	$321,000,000 e/	61
Federal Payments to the Railroad Retirement Accounts	---	$ 100,000 f/	69

a/ Included in the 1,332 FTE's are 56 FTE's to perform Medicare activities which are financed by the Health Care Financing Administration.

b/ Includes a $500,000 statutory reserve that is to be used only to the extent necessary to process workloads not anticipated in the budget estimates and after maximum absorption of the cost of such workloads within the remainder of the existing limitation. This amount also includes $8,330,000 solely for the purchase of a mainframe computer and $200,000 to complete a system capacity study and a requirements analysis for the new computer. An additional $250,000 is included to provide assistance in improving the railroad retirement taxation system. Proposed appropriation language specifies that the funding earmarked for the purchase of a mainframe computer is to be made available only after the completion of a system capacity study and a requirements analysis, and the certification by the RRB's Inspector General that the study and analysis have been completed.

c/ Proposed appropriation language specifies that not less than $16,457,000 shall be apportioned for fiscal year 1991 from funds credited to the Railroad Unemployment Insurance Administration Fund.

This amount also includes $1,470,000 to purchase a mainframe computer subject to the same conditions as proposed under the Limitation on Administration.

d/ This limitation is for the RRB's Office of Inspector General. It is described in a separate justification document.

e/ The appropriation language provides for a 2-percent reserve ($6,420,000) on top of the $321,000,000 appropriation. This reserve would be available as budget authority only if the number of beneficiaries for windfall (vested dual) benefits exceeds the number anticipated. Funding would be from the following sources.

Funding sources	Budget authority	Reserve
General revenue (of this amount $18,000,000 is expected from income taxes on windfall [vested dual] benefits)	$240,750,000	$4,815,000
Railroad Retirement Account (Rail Industry Pension Fund)	80,250,000	1,605,000
Totals	$321,000,000	$6,420,000

f/ This amount is for estimated interest related to uncashed railroad retirement checks and will remain available through September 30, 1992.

AGENCY OVERVIEW

The primary function of the Railroad Retirement Board (RRB) is to administer comprehensive retirement/survivor and unemployment/sickness insurance benefit programs for the nation's railroad workers and their families, under the Railroad Retirement and Railroad Unemployment Insurance Acts. In connection with the retirement program, the RRB has administrative responsibilities under the Social Security Act for certain benefit payments and railroad workers' Medicare coverage. In past years, the RRB has also been involved in the administration of employee protection measures provided by other Federal railroad legislation.

The RRB is headed by three Board Members appointed by the President of the United States, with the advice and consent of the Senate. By law, one member is appointed upon recommendations made by railroad labor organizations, and one upon recommendations of railroad employers. The third member, the Chairman, is in effect independent of employees and employers and appointed to represent the public interest. The Board Members' terms of office are 5 years and are scheduled to expire in different years. The President also appoints an independent statutory Inspector General for the RRB (outside the administrative control of the Board Members, but who reports directly to the Chairman) to prevent and detect waste, fraud, and abuse in RRB programs and operations.

During fiscal year 1989, the RRB paid $6.9 billion in retirement and survivor benefits and $89 million in unemployment and sickness insurance benefits. At the end of the fiscal year, there were approximately 903,500 beneficiaries receiving retirement and survivor benefits. During the benefit year that ended in June 1989, about 35,000 railroad workers received unemployment insurance benefits and about 34,000 received sickness insurance benefits.

Programs Administered by the RRB

Railroad Retirement Act

Under the Railroad Retirement Act, the RRB makes monthly benefit payments to railroad employees with at least 10 years of service who retire because of age or disability, to eligible spouses of such employees, and to survivors of deceased employees. These benefit payments are divided into social security equivalent benefits payable from the Railroad Social Security Equivalent Benefit (SSEB) Account, and railroad industry pensions, payable from three other accounts. Total and permanent disability annuities are payable to employees unable to work at any job, and occupational disability annuities are payable to career railroad employees unable to work at their regular railroad jobs. Supplemental annuities are payable to career railroad employees with service prior to October 1981. There are also provisions for lump-sum payments.

The RRB also administers certain windfall (vested dual) benefits financed by annual appropriations from general funds. Of the approximate 903,500 beneficiaries on the rolls, about 245,000 receive these benefits.

Railroad Unemployment Insurance Act

Under the Railroad Unemployment Insurance Act, the RRB pays unemployment insurance benefits to railroad workers who are unemployed but ready, willing, and able to work and sickness insurance benefits to railroad workers who are unable to work because of illness or injury. The RRB also assists unemployed railroad workers in securing employment.

Northeast Rail Service Act of 1981

Prior to the sale of Conrail to the public, the RRB administered a program, authorized by section 701 of the Regional Rail Reorganization Act of 1973 (as amended by the Northeast Rail Service Act of 1981), for protected employees adversely affected by the restructuring of certain railroad operations. Since April 2, 1987, Conrail began paying claims filed for benefits. In fiscal year 1989, the RRB incurred only minimal activity in this program -- i.e., activities related to esablishing and collecting benefit overpayments related to claims paid by the RRB.

Financing of Railroad Retirement Benefits

The primary source of income for the railroad retirement/survivor benefit program is payroll taxes paid by railroad employers and their employees. By law, railroad retirement taxes are coordinated with social security taxes. Employees and employers pay tier I taxes at the same rate as social security taxes. In addition, both employees and employers pay tier II taxes, which are used to finance railroad retirement benefit payments over and above social security levels.

Other sources of income currently include the financial interchange with the social security trust funds, advances from general revenues related to certain features of the financial interchange, revenue resulting from Federal income taxes on railroad retirement annuities, appropriations from general funds of the Treasury provided after 1974 as part of a phase-out of certain windfall (vested dual) benefits, and interest on investments. Funds not needed immediately for benefit payments or administrative expenses are invested in interest-bearing securities. The Railroad Retirement Act restricts investments to obligations of, or obligations guaranteed as to principal and interest by, the U.S. Government.

In effect, through the financial interchange, the portion of railroad retirement annuities that is equivalent to social security benefits is reinsured through the social security system, thereby extending social security protection to railroad workers. The financial interchange places the social security trust funds in the same position they would be in if railroad service were covered by the social security program instead of the railroad retirement program.

In October 1984, the regular Railroad Retirement Account was divided into two accounts with the establishment of the SSEB Account. The SSEB Account is charged with railroad retirement benefit payments equivalent to social security benefits and credited with taxes and transfers associated with those benefits. The current Railroad Retirement Account provides funding for benefits in excess of social security levels.

Windfall (vested dual) benefits have been funded by annual appropriations from general funds of the Treasury and paid from a separate account, the Dual Benefits Payments Account. Beginning October 1, 1988, revenue from income taxes on these benefits was also credited to the Dual Benefits Payments Account. If the appropriation in a fiscal year does not cover total benefits, individual payments must be reduced by proration.

The RRB also pays supplemental annuity benefits from the Supplemental Annuity Pension Fund to retired railroad employees at age 60 with 30 years of creditable rail service or at age 65 with 25-29 years of creditable service. It is financed by a tax paid by railroad employers based on the number of work hours for which they pay compensation.

The amounts needed for administering these programs are authorized by the Congress in annual appropriation acts. In addition, the Health Care Financing Administration reimburses the RRB for the administrative costs incurred for certain Medicare activities. In fiscal year 1991, the RRB will be reimbursed an estimated $2.5 million for such costs.

Financing of Unemployment and Sickness Insurance Benefits

The railroad unemployment and sickness insurance program is financed by payroll taxes on railroad employers. With passage of the Railroad Unemployment Insurance and Retirement Improvement Act of 1988 (Public Law 100-647), financing of the unemployment and sickness insurance program underwent significant changes. Under this legislation, the tax rate of 8 percent of the compensation base imposed on railroad employers in 1989, except in the case of public commuter railroads, will remain in effect for 1990. In 1991 and 1992, the tax will be experience rated for each employer on a phase-in basis and thereafter, experience-based tax rates will become fully effective. The Administration is proposing that the Railroad Unemployment Insurance Act be amended to extend the special contribution rate for commuter railroads through 1992 and to extend this treatment to Amtrak starting in 1991.

Under current legislation, the maximum monthly employee compensation subject to the tax rose from $600 to $710 in January 1989. Since then, the wage base has been indexed to approximately two-thirds of the growth in average national wages, and in calendar year 1990 is $745 per month. Of the contributions paid by railroad employers, 0.65 percent of the employers' taxable payroll is permanently appropriated to the RRB to be made available for the administrative costs of the system.

Since 1986, covered railroads have also paid a loan repayment tax designed to repay Railroad Unemployment Insurance Account loans from the Railroad Retirement Account. Public Law 100-647 fixed the special tax rate at 4 percent in January 1989, and instituted the use of the same indexed compensation base as used to determine unemployment and sickness insurance contributions, i.e., $745 a month for calendar year 1990. This rate will remain in effect until the debt to the Railroad Retirement Account is fully repaid with interest. As of December 31, 1989, the Railroad Unemployment Insurance Account owed the Railroad Retirement Account about $415.3 million on an accrual accounting basis. It is expected the entire loan will be repaid in 1994.

The prior law provided that if further borrowing from the Railroad Retirement Account became necessary, a surtax of 3.5 percent would go into effect. This surtax, which never went into effect, will be eliminated in 1991. Instead, a surcharge will be added to employers' unemployment contributions for a calendar year whenever the balance in the Railroad Unemployment Insurance Account on the previous June 30 is less than a certain amount. Depending on the account balance, the surcharge rate may be 0, 1.5, 2.5, or 3.5 percent.

Description of Appropriation Requests

Limitation on Administration

This appropriation request is for funds to administer the retirement/survivor benefit program provided for railroad workers and members of their families under the Railroad Retirement Act. Amounts needed for this administrative limitation are derived from railroad retirement trust funds.

Limitation on Railroad Unemployment Insurance Administration Fund

Funds from the Railroad Unemployment Insurance Administration Fund are used for administrative expenses for the railroad unemployment and sickness insurance system. They are permanently appropriated for this purpose. The Railroad Unemployment Insurance Act also provides authority for appropriating (by transfer) additional amounts from the Railroad Unemployment Insurance Account to the Railroad Unemployment Insurance Administration Fund. Such appropriations are generally made when forecasted contributions to this fund are expected to be less than the requested amount of obligation authority.

Limitation on Review Activity

This appropriation request, which is described in a separate justification document, is for the Office of Inspector General. The 1988 amendments to the Inspector General Act of 1978 (Public Law 100-504) included the Railroad Retirement Board as an "establishment" covered by the Inspector General Act and specified the Chairman of the RRB as the head of the establishment for purposes of the act. Previously, the Railroad Retirement Solvency Act of 1983 had amended the Railroad Retirement Act of 1974 to provide for an Office of Inspector General at the RRB.

Dual Benefits Payments Account

Section 15(d)(1) of the Railroad Retirement Act provides for a Dual Benefits Payments Account which is separate from other railroad retirement accounts. Amounts in this account are for payment of the windfall (vested dual) benefit portions of railroad retirement annuities. Under current law, these benefits are funded by appropriations from general revenues and income taxes on windfall (vested dual) benefits.

Under laws in effect prior to 1975, a worker engaging in covered employment under both the Railroad Retirement Act and Social Security Act could, under certain conditions, receive benefits separately under both acts. Because of the weighted nature of the social security benefit formula, such "dual beneficiaries" generally received more in total benefits than if all their work had been covered under either social security or railroad retirement. The dual benefits were a cost to the railroad retirement system because they reduced the system's income from the financial interchange with the social security system. By the mid-1970's, the costs to the railroad retirement system of these benefits exceeded $450 million a year and could have bankrupted the system if allowed to continue.

The Railroad Retirement Act of 1974 phased out future dual benefits by revising the benefit formulas and coordinating payments to eliminate duplications. It also authorized general fund appropriations to provide a windfall (vested dual) benefit amount to protect annuitants who were qualified for benefits under both programs before 1975 and met certain other requirements.

In 1981, the Congress provided a separate Dual Benefits Payments Account for funding these benefits, and provided further that these benefits in any year could not exceed the funding set aside in the separate account.

Federal Payments to the Railroad Retirement Accounts

This account was established in conjunction with the implementation of the Railroad Retirement Solvency Act of 1983. Section 417 of the act amended the Railroad Retirement Act to provide for the reimbursement of unnegotiated benefit checks to the extent that such reimbursements are provided for, in advance, in appropriation acts. This account is the vehicle through which such appropriations are made.

Beginning in fiscal year 1991, the RRB will no longer receive credits to this account for the principal amount of uncashed railroad retirement checks. Under provisions of the Competitive Equality Banking Act of 1987, funds for uncashed checks will be appropriated to the Department of the Treasury and then transferred directly to the appropriate RRB accounts. As a result, in fiscal year 1991, the RRB will receive credits to this account for only the interest portion of the uncashed railroad retirement check transfers. This account also acts as a conduit for transferring revenues to the other railroad retirement accounts.

CONSOLIDATED SCHEDULE OF DIRECT ADMINISTRATIVE EXPENSES a/

Summary by Limitation Account

Limitation account	Fiscal year 1990 estimate ($000)	Fiscal year 1991 estimate ($000)	Increase or decrease ($000)
Limitation on Administration	62,835 b/	71,700	+8,865
Limitation on Railroad Unemployment Insurance Administration Fund	14,100 c/	16,457	+2,357
Total	76,935	88,157 d/	+11,222 e/

a/ In addition to the amounts shown, in a separate justification document, the Office of Inspector General is requesting $7,698,000 for fiscal year 1991 administrative expenses. Also not included in this table are $2,900,000 in 1990 and $2,500,000 in 1991 that the RRB expects to be reimbursed by the Health Care Financing Administration to conduct Medicare activities.

b/ This amount reflects an appropriation of $63,700,000 (excluding a $200,000 statutory reserve) less an $865,000 sequester of direct administrative expenses in accordance with the Omnibus Budget Reconciliation Act of 1989, Public Law 101-239.

c/ The Limitation on Railroad Unemployment Insurance Administration Fund is not subject to a sequester because the amount made available for administrative expenses in fiscal year 1990 by the Congress ($14,100,000) is less than the Gramm-Rudman-Hollings (G-R-H) sequester baseline amount ($14,555,000) as determined by the Office of Management and Budget (OMB).

d/ The total amount in fiscal year 1991 reflects the proposed funding of $87,300,000 (excluding a statutory reserve of $500,000) for administrative expenses plus an increase of $857,000, determined in accordance with OMB instructions, to cover about 50 percent of an anticipated pay raise beginning in January 1991.

e/ Included in the increase of $11,222,000 are (1) $9,800,000 to acquire a new computer, (2) $200,000 for a system capacity study and requirements analysis that details the RRB's future computer capacity generation, (3) $250,000 to provide contractual assistance in improving the railroad retirement taxation system, (4) $857,000 toward an anticipated pay raise beginning in January 1991, and (5) $115,000 which represents the net effect of increases and decreases in other items and object classes.

CONSOLIDATED SCHEDULE OF ADMINISTRATIVE EXPENSES
Program by Activity

Program by activity	Fiscal year 1990 estimate		Fiscal year 1991 estimate		Increase or decrease	
	FTE's	Amounts($)	FTE's	Amounts($)	FTE's	Amounts($)
Direct program:						
1. Maintenance of rail earnings accounts	43	3,078,000	43	3,090,000	0	12,000
2. Process applications (RRA/SSRB/SUP)	338	17,157,000	338	17,385,000	0	228,000
3. Processing UI claims	134	5,808,000	136	7,141,000	2	1,333,000
4. Processing SI claims	103	4,752,000	104	5,908,000	1	1,156,000
5. Maintenance of beneficiary rolls - ret.	617	27,174,000	623	36,050,000	6	8,876,000
6. Claimant placement services - unemployment	3	165,000	3	132,000	0	(33,000)
7. Medicare - retirement	31	1,425,000	31	1,440,000	0	15,000
8. Administration	306	16,746,000	304	16,606,000	-2	(140,000)
9. Facility management	4	630,000	4	405,000	0	(225,000)
Total, direct program obligations	1,579 a/	76,935,000	1,586 a/	88,157,000	7	11,222,000

a/ Excludes full-time equivalent employees (46 in 1990 and 56 in 1991) to be reimbursed by the Health Care Financing Administration for Medicare activities. The increase of 10 full-time employees for Medicare in 1991 reflects a reevaluation by the RRB of the number of staff members who will be working on reimbursable activities.

CONSOLIDATED SCHEDULE OF ADMINISTRATIVE EXPENSES
Obligation Table

Obligation by object class	Fiscal year 1990 estimate amounts($)	Fiscal year 1991 estimate amounts($)	Increase or decrease($)
Direct obligations			
Personnel compensation:			
Full-time permanent	45,422,000	47,519,000	2,097,000
Positions other than permanent	1,061,000	1,050,000	(11,000)
Other personnel compensation	835,000	935,000	100,000
Total personnel compensation	47,318,000	49,504,000	2,186,000
Personnel benefits: civilian	8,473,000	9,434,000	961,000
Benefits for former personnel	93,000	90,000	(3,000)
Travel and transportation of persons	914,000	957,000	43,000
Transportation of things	216,000	220,000	4,000
Rental payments to GSA	3,525,000	3,600,000	75,000
Communications, utilities, and miscellaneous charges	5,319,000	5,500,000	181,000
Printing and reproduction	701,000	799,000	98,000
Other services	7,853,000	6,853,000	(1,000,000)
Supplies and materials	1,192,000	1,400,000	208,000
Equipment	1,331,000	9,800,000	8,469,000
Total direct obligations	76,935,000 a/	88,157,000 a/	11,222,000

a/ Totals exclude $2,900,000 in 1990 and $2,500,000 in 1991 estimated to be reimbursed by the Health Care Financing Administration for Medicare activities.

CONSOLIDATED SCHEDULE

Personnel Summary
Full-time Equivalent Employment by Limitation Account a/

Limitation account	Fiscal year 1990 estimate	Fiscal year 1991 estimate	Increase or decrease
Full-time equivalent employment			
Limitation on Administration b/	1,316	1,332	+16
Limitation on Railroad Unemployment Insurance Administration Fund	309	310	+1
Total	1,625	1,642	+17
Full-time equivalent of overtime and holiday hours			
Limitation on Administration	11	12	+1
Limitation on Railroad Unemployment Insurance Administration Fund	5	4	-1
Total	16	16	0

a/ Table does not include the Office of Inspector General.

b/ Includes full-time equivalent employees reimbursable by the Health Care Financing Administration for Medicare activities, 46 in 1990 and 56 in 1991.

CONSOLIDATED SCHEDULE

Personnel Summary
Full-time Permanent Positions by Limitation Account a/

Limitation account	Fiscal year 1990 estimate	Fiscal year 1991 estimate	Increase or decrease
Full-time permanent positions			
Limitation on Administration b/	1,339	1,355	+16
Limitation on Railroad Unemployment Insurance Administration Fund	313	314	+1
Total	1,652	1,669	+17

a/ Table does not include the Office of Inspector General.

b/ Includes full-time permanent positions reimbursable for Medicare by the Health Care Financing Administration.

Funding for Major Contracts

All contracts $10,000 and over that are planned for fiscal year 1991 are shown below.

Title and description	1991 estimated direct program funding ($) Limitation on Administration	Limitation on RUI Administration Fund	Total
Data processing			
Data entry Contracted keypunching services.	212,500	37,500	250,000
System capacity study Contracted study and requirements analysis regarding the proposed new mainframe computer.	200,000	---	200,000 a/
Disaster recovery service Fee for backup data processing operations in the event of an emergency or disaster.	63,750	11,250	75,000
Automated interface with Treasury Charges for using the automated interface with Treasury to transmit and receive financial and accounting information.	23,000	6,000	29,000
Support of benefit program activities			
Medical service Medical evidence reviews concerning benefit and claim matters; preparation of advisory medical opinions; incidental assistance to agency employees.	451,000	---	451,000 a/
Retirement taxation assistance Contracted assistance in improving the retirement taxation system.	250,000	---	250,000 a/
Audiovisual materials Preparation of artwork, slides, and charts for the informational conference program and for the agency's annual report.	12,750	2,250	15,000

Funding for Major Contracts (continued)

Title and description	1991 estimated direct program funding ($) Limitation on Administration	Limitation on RUI Administration Fund	Total
Support of benefit program activities (cont.)			
Transcription services Transcripts of hearings regarding appeal cases for use by the Board Members.	23,000	2,000	25,000
Personnel development, evaluation, and assistance			
Employee assistance program Professional assistance for employees with personal problems that adversely affect work performance.	22,000	7,000	29,000 a/
Use of training programs Fee for use of audiovisual and computer-based training materials.	12,750	2,250	15,000
Building services			
Building security Guard service.	208,500	21,500	230,000
Building repairs Cost for interior and exterior painting, carpet and drapery replacement, structural repairs, and repairs to building utilities.	55,500	5,500	61,000
Subtotal, Limitation on Administration	1,534,750		
Subtotal, Limitation on Railroad Unemployment Insurance Administration Fund		95,250	
Agency direct program total			1,630,000

a/ The amounts requested are for advisory and assistance service.

JUSTIFICATION OF ESTIMATES
LIMITATION ON ADMINISTRATION

Proposed Appropriation Language

Limitation on Administration

For necessary expenses for the Railroad Retirement Board, [$63,900,000] *$72,200,000* to be derived from the railroad retirement accounts, *of which $8,330,000 shall be available only for the procurement of and contract services related to a mainframe computer only upon (1) completion of a capacity management study to ensure that the Railroad Retirement Board details its future computer capacity generation, (2) the completion of a requirements analysis for use by the General Services Administration, and (3) certification of the Railroad Retirement Board Inspector General that the Railroad Retirement Board has completed the preceding requirements; of which $200,000 shall be available to assist the Railroad Retirement Board in completing their capacity management study and requirements analysis; and of which $250,000 shall be available to address railroad retirement taxation systems problems: Provided,* That [$200,000] *$500,000* of the foregoing amount shall be available only to the extent necessary to process workloads not anticipated in the budget estimates and after maximum absorption of the costs of such workloads within the remainder of the existing limitation has been achieved: *Provided further,* That notwithstanding any other provision of law, no portion of this limitation shall be available for payments of standard level user charges pursuant to section 210(j) of the Federal Property and Administrative Services Act of 1949, as amended (40 U.S.C. 490(j); 45 U.S.C. 228a-r). *(Departments of Labor, Health and Human Services, and Education, and Related Agencies Appropriations Act, 1990.)*

Explanation of Proposed Appropriation Language

Appropriation language	Explanation
For necessary expenses for the Railroad Retirement Board, [$63,900,000] *$72,200,000* to be derived from the railroad retirement accounts,...	This budget request is for funds to administer the railroad retirement/ survivor benefit programs provided under the Railroad Retirement Act. These funds are to be derived from amounts in the Railroad Retirement Account, the SSEB Account, and the Railroad Retirement Supplemental Account.
...of which $8,330,000 shall be available only for the procurement of and contract services related to a mainframe computer only upon (1) completion of a capacity management study to ensure that the Railroad Retirement Board details its future computer capacity generation, (2) the completion of a requirements analysis for use by the General Services Administration, and (3) certification of the Railroad Retirement Board Inspector General that the Railroad Retirement Board has completed the preceding requirements;...	This language provides that $8,330,000 of the $72,200,000 is to be made available solely for the procurement of a mainframe computer, but only after the completion of a capacity management study, a requirements analysis, and the certification by the RRB's Inspector General that the study and analysis have been completed.
...of which $200,000 shall be available to assist the Railroad Retirement Board in completing their capacity management study and requirements analysis;...	This language provides that $200,000 of the $72,200,000 is available to assist the agency in completing the management study and requirements analysis for a mainframe computer.
...and of which $250,000 shall be available to address railroad retirement taxation systems problems:...	This language provides that $250,000 of the $72,200,000 is available to address the RRB's retirement taxation system problems.

Explanation of Proposed Appropriation Language

Appropriation language	Explanation
...*Provided*, That [$200,000] *$500,000* of the foregoing amount shall be available only to the extent necessary to process workloads not anticipated in the budget estimates and after maximum absorption of the costs of such workloads within the remainder of the existing limitation has been achieved:...	This limits the use of the appropriation as described and increases the level of the reserve within the appropriation from $200,000 in fiscal year 1990 to $500,000 in fiscal year 1991.
...*Provided further*, That notwithstanding any other provision of law, no portion of this limitation shall be available for payments of standard level user charges pursuant to section 210(j) of the Federal Property and Administrative Services Act of 1949, as amended (40 U.S.C. 490(j); 45 U.S.C. 228a-r).	As a trust fund agency, the RRB pays actual costs for building rent rather than standard level user charges. The Congress has, on several occasions, expressed its intention that trust fund agencies be exempt from standard level user charges. The authority for the RRB's exemption has in recent years been included in the appropriations bills for the agency.

Authorizing Legislation

Legislation	1991 Authorized	1991 Appropriation requested
Railroad Retirement Act:		
Section 15(a) and Section 15(c) -- first two sentences of each section -- and Section 15 A(c)(1)	Indefinite	$72,200,000

Section 15(a):

"The Railroad Retirement Account established by section 15(a) of the Railroad Retirement Act of 1937 shall continue to be maintained in the Treasury of the United States. There is hereby appropriated to such Account for each fiscal year, beginning with the fiscal year ending June 30, 1975, to provide for the payment of benefits to be made from such Account in accordance with the provisions of section 7(c)(1) of this Act, and to provide for expenses necessary for the Board in the administration of all provisions of this Act, an amount equal to amounts covered into the Treasury (minus refunds) during each fiscal year under the Railroad Retirement Tax Act, except those portions of the amounts covered into the Treasury under sections 3211(b), 3221(c), and 3221(d) of such Tax Act as are necessary to provide sufficient funds to meet the obligation to pay supplemental annuities at the level provided under section 3(e) of this Act and, with respect to those entitled to supplemental annuities under section 205(a) of title II of this Act, at the level provided under section 205(a)."

Section 15(c):

"The Railroad Retirement Supplemental Account established by section 15(b) of the Railroad Retirement Act of 1937 shall continue to be maintained in the Treasury of the United States. There is hereby appropriated to such account for each fiscal year, beginning with the fiscal year ending June 30, 1975, out of any moneys in the Treasury not otherwise appropriated, to provide for the payment of supplemental annuities under section 2(b) of this Act, and to provide for the expenses necessary for the Board in the administration of the payment of such supplemental annuities, an amount equal to such portions of the amounts covered into the Treasury (minus refunds) during each fiscal year under section 3211(b), 3221(c),

and 3221(d) of the Railroad Retirement Tax Act as are not appropriated to the Railroad Retirement Account pursuant to the provisions of subsection (a) of this section."

Section 15 A(c)(1):

"Except as otherwise provided in this section, amounts in the Social Security Equivalent Benefit Account shall be available only for purposes of paying social security equivalent benefits under this Act and to provide for the administrative expenses of the Board allocable to social security equivalent benefits."

LIMITATION ON ADMINISTRATION
Program by Activity

Program by activity	Fiscal year 1990 estimate		Fiscal year 1991 estimate		Increase or decrease	
Direct program:						
Rail Industry Pension Fund	FTE's	Amounts($)	FTE's	Amounts($)	FTE's	Amounts($)
1. Maintenance of rail earnings accounts	18	1,457,000	18	1,460,000	0	3,000
2. Processing applications (RRA)	186	9,234,000	186	9,450,000	0	216,000
3. Maintenance of beneficiary rolls	332	14,686,000	335	22,474,000	3	7,788,000
4. Medicare	16	664,000	16	670,000	0	6,000
5. Administration	134	7,434,000	135	7,478,000	1	44,000
6. Facility management	2	260,000	2	168,000	0	(92,000)
Total, RIPF	688	33,735,000	692	41,700,000	4	7,965,000
Social Security Equivalent Benefit						
1. Maintenance of rail earnings accounts	15	1,152,000	15	1,160,000	0	8,000
2. Processing applications (SSEB)	142	7,318,000	142	7,330,000	0	12,000
3. Maintenance of beneficiary rolls	265	11,592,000	268	12,663,000	3	1,071,000
4. Medicare	15	761,000	15	770,000	0	9,000
5. Administration	104	5,947,000	103	5,870,000	-1	(77,000)
6. Facility management	1	230,000	1	107,000	0	(123,000)
Total, SSEB	542	27,000,000	544	27,900,000	2	900,000
Supplemental Annuity Pension Fund						
1. Maintenance of rail earnings accounts	2	89,000	2	90,000	0	1,000
2. Processing applications (SUP)	10	605,000	10	605,000	0	0
3. Maintenance of beneficiary rolls	20	896,000	20	913,000	0	17,000
4. Administration	8	495,000	8	477,000	0	(18,000)
5. Facility management	0	15,000	0	15,000	0	0
Total, SAPF	40	2,100,000	40	2,100,000	0	0
Total, direct program obligations	1,270	62,835,000	1,276	71,700,000	6	8,865,000

LIMITATION ON ADMINISTRATION

Financing

	Fiscal year 1990 estimate	Fiscal year 1991 estimate
Financing		
Total direct program obligations	$62,835,000	$71,700,000
Direct program obligations sequestered by P.L. 101-239	865,000	
Statutory reserve sequestered by P.L. 101-239	2,800	
Unobligated balance lapsing (statutory reserve)	197,200	500,000
Limitation	$63,900,000	$72,200,000
Relation of direct program obligations to outlays		
Obligations incurred, net	$62,835,000	$71,700,000
Obligated balance, start of year	7,433,000	7,433,000
Obligated balance, end of year	-7,433,000	-7,433,000
Outlays from limitation	$62,835,000	$71,700,000

The financial operations of the Limitation on Administration can also be expressed in a sources and uses of funds table as shown below.

Sources and Uses of Funds

	Fiscal year 1990 estimate	Fiscal year 1991 estimate
Direct program sources:		
Available from parent trust funds by Congressional appropriation (includes the statutory reserve and the amount sequestered in fiscal year 1990 by P.L. 101-239)	$63,900,000	$72,200,000
Direct program uses:		
Administrative expenses	$62,835,000	$71,700,000
Direct program obligations sequestered by P.L. 101-239	865,000	
Statutory reserve sequestered by P.L. 101-239	2,800	
Unobligated balance lapsing (statutory reserve)	197,200	500,000
Total uses:	$63,900,000	$72,200,000

LIMITATION ON ADMINISTRATION
Obligation Table

Obligation by object class	Fiscal year 1990 estimate amounts($)	Fiscal year 1991 estimate amounts($)	Increase or decrease($)
Direct obligations			
Personnel compensation:			
Full-time permanent	36,738,000	38,266,000	1,528,000
Positions other than permanent	905,000	850,000	(55,000)
Other personnel compensation	605,000	660,000	55,000
Total personnel compensation	38,248,000	39,776,000	1,528,000
Personnel benefits: civilian	6,784,000	7,567,000	783,000
Benefits for former personnel	75,000	65,000	(10,000)
Travel and transportation of persons	714,000	757,000	43,000
Transportation of things	177,000	180,000	3,000
Rental payments to GSA	2,841,000	2,900,000	59,000
Communications, utilities, and miscellaneous charges	4,350,000	4,415,000	65,000
Printing and reproduction	588,000	617,000	29,000
Other services	7,051,000	6,007,000	(1,044,000)
Supplies and materials	919,000	1,086,000	167,000
Equipment	1,088,000	8,330,000	7,242,000
Total direct obligations	62,835,000	71,700,000	8,865,000

LIMITATION ON ADMINISTRATION

Personnel Summary a/

Personnel summary	Fiscal year 1990 estimate	Fiscal year 1991 estimate	Increase or decrease
Direct			
Total number of full-time permanent positions	1,292	1,298	+6
Total compensable workyears:			
Full-time equivalent employment	1,270	1,276	+6
Full-time equivalent of overtime and holiday hours	11	12	+1

a/ Table does not include full-time equivalent employees reimbursable by the Health Care Financing Administration for Medicare activities.

Explanation for Changes Between the 1990 Enacted and 1991 Proposed Budgets

Direct Obligations

	Change ($000)
Increases:	
1. Personnel compensation This reflects the following increases: an additional 6 FTE's funded by direct obligations, the January 1990 pay raise of 3.6 percent for a full year, one-half of an anticipated January 1991 general schedule salary rate increase of 3.5 percent and the anticipated increase for the Senior Executive Service added in accordance with OMB instructions, and an increase for incentive awards.	1,528
2. Civilian personnel benefits Because additional personnel compensation will be paid, related benefit costs increase. Also reflects a small increase in anticipated Federal Employees Retirement System, thrift savings plan, and health insurance costs.	783
3. Travel and transportation of persons Only a small increase is provided for travel costs.	43
4. Transportation of things Only a nominal increase in this cost category is included.	3
5. Rental payments to GSA This reflects an increase by GSA in the expected costs for our space.	59
6. Communications, utilities and miscellaneous charges This reflects the net effect of an expected decrease in Federal Telecommunications System costs and an increase in utilities, postage, and equipment rentals.	65

Explanation for Changes Between the 1990 Enacted and 1991 Proposed Budgets

Direct Obligations

	Change ($000)
Increases: (continued)	
7. Printing and reproduction	29
We expect a small increase in this cost category for microfiche services, printing of tax forms, and other price increases.	
8. Supplies and materials	167
With a small increase in staff, associated costs for supplies were increased.	
9. Equipment	7,242
This increase reflects the one-time purchase of a new mainframe computer to support our automation efforts. The entire amount ($8,330,000) provided in this object class for fiscal year 1991 is earmarked for the purchase of a computer mainframe.	
Total increase:	9,919
Decreases:	
1. Benefits to former personnel	10
We expect a small decrease in unemployment benefits for former employees.	
2. Other services	1,044
This reduction is due primarily to the number of, and amounts provided for, contracts and dollar constraints applied to repairs and maintenance of equipment, training, and miscellaneous services.	
Total decreases:	1,054
Net change or increase	8,865

Appropriations History Table

Limitation on Administration

Year	Budget estimate to the Congress	House allowance	Senate allowance	Appropriation/ continuing resolution
1980	$39,730,000	$39,730,000	$39,730,000	$39,730,000
1981	$37,223,000	$37,767,000	$37,767,000	$37,767,000
1982	$52,250,000	$48,000,000	$52,000,000	$46,741,000
1983	$44,080,000	$46,361,000	$46,361,000	$46,361,000
1984	$55,969,000	$56,046,000	$56,046,000	$56,046,000
1985	$55,422,000	$55,422,000	$55,962,000	$55,422,000
1986	$55,295,000	$55,422,000	$56,501,000	$55,422,000
1987	$55,614,000	$56,634,000	$58,877,000	$58,520,000 a/
1988	$55,389,000	$60,434,000	$60,434,000	$57,860,000 b/
1989	$58,012,000	$59,312,000	$60,350,000	$59,626,000 c/
1990	$60,550,000	$63,900,000	$67,451,000	$63,900,000 d/
1991	$72,200,000			

a/ The amount made available under the continuing resolution was $57,756,000. Public Law 100-71, enacted to meet additional contribution costs under the Federal Employees Retirement System, provided an additional $764,000.

b/ Represents the House and Senate allowance amount of $60,434,000 less a 4.26 percent reduction in spending (or $2,574,000) called for in the full-year continuing resolution for fiscal year 1988 (Public Law 100-202).

c/ Represents the House and Senate conference allowance of $60,350,000 less a 1.2 percent reduction ($724,000) mandated by the fiscal year 1989 appropriations act (Public Law 100-436).

d/ Represents the amount appropriated by the 1990 appropriations act (Public Law 101-166). Of this amount, $62,835,000 is available for direct administrative expenses in fiscal year 1990 -- $865,000 in direct administrative expenses and $2,800 in statutory reserve has been sequestered in accordance with Public Law 101-239 and $197,200 is available only to meet unanticipated increases in workloads.

Justification by Activity

General

The appropriation request for the Limitation on Administration is for funds to administer the retirement/survivor benefit program provided by the Railroad Retirement Act.

For fiscal year 1990, $63,900,000 was appropriated by the Congress. The President's budget for fiscal year 1991 requests $72,200,000, or an increase of $8,300,000.

The staff year requirements, including regular and temporary staff years, for conducting the various activities related to the railroad retirement/survivor benefit program for fiscal years 1990 and 1991 are summarized below.

	1990 estimate	1991 estimate
1. Maintenance of rail earnings accounts	35	35
2. Processing applications	338	338
3. Maintenance of beneficiary rolls	617	623
4. Medicare	31	31
5. Administration	246	246
6. Facility management	3	3
Total (direct)	1,270	1,276

The RRB is headquartered in Chicago. It has field offices located throughout the country to provide in-person service to railroad workers and members of their families in applying for benefits.

In administering this program, RRB staff

-- adjudicate applications for benefits under the Railroad Retirement Act;

-- process benefits under the Social Security Act as authorized by the Social Security Administration (SSA);

-- inform railroad workers of their rights and responsibilities under the program;

-- monitor payments to ensure that they are proper;

-- maintain earnings records of railroad employees in order to determine whether applicants qualify for benefits;

-- interpret laws and comment on proposed legislation;

-- develop policies and procedures for program operations;

-- maintain and administer taxation program operations;

-- continuously review operations to identify areas where improvements can be made; and

-- maintain data processing, accounting, financial, and personnel operations to support program operations.

While administering the ongoing retirement/survivor benefit program, the RRB must also frequently adjust its operations, methods, and procedures to implement new legislation affecting its programs. For example, the RRB is currently in the final stages of implementing the Railroad Unemployment Insurance and Retirement Improvement Act of 1988. This act affects the retirement program in the following areas: refunds of excess railroad retirement taxes, last person service rules, military service credits, and the disability earnings limitation. Also, in fiscal year 1990, the RRB has reduced estimated supplemental annuity benefits by a small percentage (.7 percent) to reflect a sequester of benefit outlay expenses in accordance with the Omnibus Budget Reconciliation Act of 1989.

Specifics on the activities involved in administering the railroad retirement/survivor benefit program are described below. Amounts are transferred from the Railroad Retirement Account, the Railroad Social Security Equivalent Benefit Account, and the Supplemental Annuity Pension Fund to administer this program.

Summary Processing Workload Table

Fiscal years	Average number of annuitants	New applications	Reactivated applications	Number of payments	Supplemental annuities awarded	Social security awards	Medicare enrollments
1983	987,836	84,285	73,615	Not available	18,796	15,836	11,849
1984	974,986	75,320	63,318	Not available	16,333	14,259	9,076
1985	959,578	71,260	56,436	Not available	16,588	12,759	8,400
1986	947,266	70,434	54,778	Not available	16,027	12,346	9,422
1987	934,506	68,430	62,315	11,848,000	15,126	11,910	12,034
1988	919,115	67,803	55,768	11,659,000	13,626	11,007	9,619
1989	908,219	66,056	57,253	11,479,000	13,315	9,371	8,247
1990 (est) a/	896,000	69,000	57,000	11,300,000	11,000	11,000	9,000
1991 (est) a/	881,000	67,000	56,000	11,100,000	10,000	11,000	9,000

a/ Some of the workload estimates for 1990 and 1991 as compared to 1989 reflect an increase which is expected to be short-term.

Activity 1. Maintenance of rail earnings accounts

1990 Estimate		1991 Estimate		Change	
Staff years	Amount($)	Staff years	Amount($)	Staff years	Amount($)
35	2,698,000	35	2,710,000	---	+12,000

Service performed for a covered employer or as an employee representative is creditable towards benefits under the Railroad Retirement Act. Covered employers include interstate railroads and their affiliates engaged in railroad-connected operations, as well as employer associations and national railroad labor organizations and their subordinate units. In some cases, military service may be counted as railroad service. The basic requirement for annuities under the Railroad Retirement Act is 120 months (10 years) of creditable railroad service. Benefits then become payable if certain other requirements are met, which depend, in turn, on the type of annuity payable.

In order to determine whether applicants are entitled to annuities, the RRB maintains a record of all covered railroad service and creditable earnings after 1936. The information is recorded under the employee's social security account number used by the employer to report service and compensation to the RRB. The RRB also has some records of service prior to 1937 as reported by employers because such service is counted under certain conditions.

Some specific tasks involved in the "maintenance of rail earnings accounts" activity are

-- maintaining information and records, such as records of railroad service and compensation, in order to determine whether applicants qualify for benefits;

-- exchanging information with other Federal agencies, such as SSA, in conjunction with benefit computations;

-- providing appropriate levels of service to railroad workers and employers; and

-- providing a process to resolve disagreements or protests concerning service and compensation matters.

In 1989, the workload for this activity, which impacted both the railroad retirement and the railroad unemployment and sickness insurance programs, included

-- adjusting 421,000 accounts to credit calendar year 1988 railroad service and compensation;

-- adjusting 22,000 prior-year records;

-- adjusting 3,200 records that contained erroneous or inconsistent information;

29-886 O—90——38

-- releasing 375,000 statements of service and compensation to railroad employees;

-- responding to 7,000 inquiries and protests concerning the above statements; and

-- responding to an additional 3,800 inquiries from employers concerning coverage matters or from employees concerning individual records.

Activity 2. Processing applications

1990 Estimate		1991 Estimate		Change	
Staff years	Amount($)	Staff years	Amount($)	Staff years	Amount($)
338	17,157,000	338	17,385,000	---	+228,000

This activity covers work involved in processing applications for regular retirement, survivor, and disability benefits and applications for supplemental annuities, as well as initial social security payments.

This activity includes time in field offices

-- providing benefit estimates;

-- assisting persons in completing their applications;

-- securing necessary proofs for age, relationship, military service, or medical records;

-- explaining rights and obligations to applicants;

-- explaining various reductions that could be made in the regular annuity if there is subsequent entitlement to a social security benefit or other social insurance benefit;

-- explaining work and earnings restrictions;

-- explaining taxation issues; and

-- responding to inquiries regarding tax statements (from February through April 1989, the field offices received 66,408 inquiries regarding tax statements issued in 1989).

Work at headquarters includes

-- deciding eligibility and entitlement, including disability decisions;

-- determining months of creditable service and average creditable compensation, including, in some instances, service performed prior to 1937;

-- determining primary insurance amounts, average monthly compensation, and other computational factors;

-- securing earnings and benefit records from SSA and considering these in the regular annuity computation;

-- computing annuities, issuing notices of awards, and paying the accrual amounts;

-- computing the amounts of benefits subject to Federal income tax;

-- processing social security benefits;

-- establishing the beneficiaries on the monthly payment rolls;

-- notifying railroad employers (last employer notification) when retirement annuities are awarded;

-- applying tax withholding, if requested;

-- handling inquiries from applicants; and

-- monitoring benefit program operations to ensure that benefits paid to entitled individuals are accurate.

Estimates of claims receipts, dispositions, and pending workloads for fiscal years 1990 and 1991 are shown below:

	1990 estimate	1991 estimate
Pending, start of year	24,912	23,912
New railroad retirement applications		
Employee age and disability	23,000	22,000
Spouse	20,000	19,000
Survivor	26,000	26,000
Supplemental annuities	11,000	10,000
New social security certifications	11,000	11,000
Total	91,000	88,000
Total dispositions, excluding partial awards	(92,000)	(90,000)
Pending, end of year	23,912	21,912

Activity 3. Maintenance of beneficiary rolls

1990 Estimate		1991 Estimate		Change	
Staff years	Amount($)	Staff years	Amount($)	Staff years	Amount($)
617	27,174,000	623	36,050,000	+6	+8,876,000

This activity covers the maintenance of the monthly beneficiary rolls of approximately 903,500 persons (as of September 30, 1989) receiving railroad retirement/survivor benefits and includes work relating to handling regular changes in the rolls, such as adjustments of benefit amounts for excess earnings and recomputations to include earnings after retirement, handling inquiries from persons on the rolls, making quality assurance checks to verify that persons continue to be eligible to receive monthly benefits, making rate changes required by amendments to the Social Security and Railroad Retirement Acts, handling overpayments and underpayments, adjusting benefits for tax withholding, and related operations.

The RRB also makes various mechanical adjustments annually, such as cost-of-living increases.

This activity includes time spent in field offices

-- providing post-retirement counseling concerning benefit amounts, benefit adjustments, taxation of benefits, receipt of benefits, direct deposit, and overpayments;

-- explaining denial of benefits, providing information and assistance in appealing adverse decisions, and conducting personal oral hearings;

-- selecting and appointing representative payees for beneficiaries who are incompetent; and

-- assisting beneficiaries in reporting changes of address, non-receipt of checks, etc.

In addition, the RRB performs a wide range of activities to maintain the continued integrity of its benefit payment operations. Examples of such activities include monitoring annuitant earnings to identify erroneous payments or earnings in excess of the exempt amount, reviewing disability benefits for continued eligibility for benefits, reviewing the propriety of representative payee activities, monitoring the payment of benefits to aged annuitants, and carrying out a nationwide death match program with the Health Care Financing Administration (HCFA).

Activity 4. Medicare

1990 Estimate		1991 Estimate		Change	
Staff years	Amount($)	Staff years	Amount($)	Staff years	Amount($)
31	1,425,000	31	1,440,000	---	+15,000

Persons covered by the railroad retirement system participate in the Medicare health insurance programs on the same basis as those covered under the social security system.

This activity includes time spent in field offices

-- assisting persons in completing applications;

-- securing necessary proofs, such as for age and relationship; and

-- assisting beneficiaries with their Medicare inquiries and claims.

This activity includes time spent in headquarters

-- selecting, and monitoring the performance of, the carrier that administers the payment of medical benefits;

-- administering the Medicare program for all deemed and qualified railroad retirement beneficiaries;

-- enrolling beneficiaries for Medicare insurance;

-- collecting supplemental medical insurance premiums on a timely basis;

-- ensuring the prompt and accurate payment of Medicare hospital and medical claims; and

-- providing support for the above tasks, including efforts such as data processing; record creation, distribution, retention, and storage; and personnel recruitment and training.

Activity 5. Administration

1990 Estimate		1991 Estimate		Change	
Staff years	Amount($)	Staff years	Amount($)	Staff years	Amount($)
246	13,876,000	246	13,825,000	---	-51,000

The primary purpose of the RRB is to administer the retirement/survivor and unemployment/sickness insurance benefit programs provided under the Railroad Retirement Act and the Railroad Unemployment Insurance Act for railroad workers and their families.

This activity includes a variety of efforts needed to administer these benefit programs and to comply with Federal policies and requirements applicable to the RRB.

Administration includes

-- establishing policies that enable the RRB to accomplish its mission;

-- providing for compliance with requirements and regulations;

-- providing for legal opinions and representation in judicial matters;

-- providing for assistance on legislative, appropriation, or actuarial matters;

-- managing financial assets;

-- recruiting, training, and managing personnel;

-- providing public information services;

-- providing general administrative support;

-- providing training to improve job-related knowledge or skills;

-- maintaining a reference library operation; and

-- ensuring that correct payments are made to those entitled (employees, vendors, etc.).

Activity 6. Facility management

1990 Estimate		1991 Estimate		Change	
Staff years	Amount($)	Staff years	Amount($)	Staff years	Amount($)
3	505,000	3	290,000	---	-215,000

The RRB is responsible for the day-to-day management of its headquarters building at 844 North Rush Street in Chicago, with oversight provided by the General Services Administration (GSA). This responsibility includes building operations, maintenance, recurring repairs, general services, and alterations. Funds are appropriated to a GSA parent account and made available to the RRB by a nonexpenditure transfer authorization.

The RRB incurs additional costs of maintaining the headquarters building over and above the amount covered by GSA. These additional costs are for guard service; contractor overtime to furnish heat and air conditioning before and after normal working hours; various recurring and non-recurring repairs to the building, such as office alterations, electrical outlet installation, and plumbing repairs; and various painting requirements.

Program Integrity Efforts

Although not a separate decision unit for budget presentation purposes, in fiscal year 1991 we plan to use about 94 FTE's (funded from the Limitation on Administration) to perform a wide range of activities to maintain the integrity of the railroad retirement/survivor program. Primary examples of these activities, which are in addition to the efforts of the RRB's Office of Inspector General, include earnings monitoring, disability benefit monitoring, aged monitoring, Health Care Financing Administration death records matching, parental custody monitoring, student monitoring and the monitoring of representative payee use of funds. The following chart shows by budget decision unit the number of FTE's funded from the Limitation on Administration that the RRB intends to devote to program integrity matters in fiscal year 1991. (See page 60 for information on program integrity efforts related to the railroad unemployment and sickness insurance program.)

Budget decision units	FTE's
Administration	9.6
Maintenance of railroad earnings accounts	0.7
Processing of claims for benefits	21.9
Maintenance of beneficiary rolls	60.5
Medicare	1.0
Claimant placement	----
Facility management	----
Total	93.7

JUSTIFICATION OF ESTIMATES
LIMITATION ON RAILROAD UNEMPLOYMENT INSURANCE
ADMINISTRATION FUND

Proposed Appropriation Language

Limitation on Railroad Unemployment Insurance
Administration Fund

For further expenses necessary for the Railroad Retirement Board, for administration of the Railroad Unemployment Insurance Act, not less than [$14,100,000] *$16,457,000* shall be apportioned for fiscal year [1990] *1991* from moneys credited to the railroad unemployment insurance administration fund *of which $1,470,000 shall be available only for the procurement of and contract services related to a mainframe computer only upon (1) completion of a capacity management study to ensure that the Railroad Retirement Board details its future computer capacity generation, (2) the completion of a requirements analysis for use by the General Services Administration, and (3) certification of the Railroad Retirement Board Inspector General that the Railroad Retirement Board has completed the preceding requirements. (Departments of Labor, Health and Human Services, and Education, and Related Agencies Appropriations Act, 1990.)*

Explanation of Proposed Appropriation Language

Appropriation language	Explanation
For further expenses necessary for the Railroad Retirement Board, for administration of the Railroad Unemployment Insurance Act, not less than [$14,100,000] *$16,457,000* shall be apportioned for fiscal year [1990] *1991* from moneys credited to the railroad unemployment insurance administration fund...	Under Section 11(c) of the Railroad Unemployment Insurance Act, funds in the Railroad Unemployment Insurance Administration Fund are permanently appropriated to the RRB for administering the unemployment and sickness insurance benefit programs. This language would make $16,457,000 of amounts in the fund available in fiscal year 1991.
...of which $1,470,000 shall be available only for the procurement of and contract services related to a mainframe computer only upon (1) completion of a capacity management study to ensure that the Railroad Retirement Board details its future computer capacity generation, (2) the completion of a requirements analysis for use by the General Services Administration, and (3) certification of the Railroad Retirement Board Inspector General that the Railroad Retirement Board has completed the preceding requirements.	This language provides that $1,470,000 of the $16,457,000 is to be made available solely for the procurement of a mainframe computer, but only after the completion of a capacity management study, a requirements analysis, and the certification by the RRB's Inspector General that the study and analysis have been completed.

Authorizing Legislation

Legislation	1991 Authorized	1991 Appropriation requested
Railroad Unemployment Insurance Act:		
Section 11.(a)	Indefinite	None

"Sec. 11.(a) The Secretary of the Treasury shall maintain in the unemployment trust fund established pursuant to section 904 of the Social Security Act an account to be known as the railroad unemployment insurance administration fund. This unemployment insurance administration fund shall consist of (i) such part of all contributions collected pursuant to section 8 of this Act as equals 0.65 per centum of the total compensation on which such contributions are based; (ii) all amounts advanced to the fund by the Secretary of the Treasury pursuant to this section; (iii) all amounts appropriated by subsection (b) of this section; and (iv) such additional amounts as Congress may appropriate for expenses necessary or incidental to administering this Act. Such additional amounts are hereby authorized to be appropriated."

LIMITATION ON RAILROAD UNEMPLOYMENT INSURANCE ADMINISTRATION FUND
Program by Activity

Program by activity	Fiscal year 1990 estimate		Fiscal year 1991 estimate		Increase or decrease	
	FTE's	Amounts($)	FTE's	Amounts($)	FTE's	Amounts($)
Direct program:						
1. Maintenance of rail earnings accounts	8	380,000	8	380,000	0	0
2. Process UI claims	134	5,808,000	136	7,141,000	2	1,333,000
3. Process SI claims	103	4,752,000	104	5,908,000	1	1,156,000
4. Claimant placement services - unemployment	3	165,000	3	132,000	0	(33,000)
5. Administration	60	2,870,000	58	2,781,000	-2	(89,000)
6. Facility management	1	125,000	1	115,000	0	(10,000)
Total, direct program obligations	309	14,100,000	310	16,457,000	1	2,357,000

LIMITATION ON RAILROAD UNEMPLOYMENT INSURANCE ADMINISTRATION FUND

Financing

	Fiscal year 1990 estimate	Fiscal year 1991 estimate
Financing		
Total obligations	$14,100,000	$16,457,000
Unobligated balance available, start of year	-7,411,627	-10,589,400
Appropriation from Railroad Unemployment Insurance Account	---	---
Unobligated balance transferred, net	1,411,627	4,589,400
Unobligated balance available, end of year	10,589,400	10,699,600
Limitation	$18,689,400	$21,156,600
Relation of obligations to outlays		
Obligations incurred, net	$14,100,000	$16,457,000
Obligated balance, start of year	1,435,747	1,435,747
Obligated balance, end of year	-1,435,747	-1,435,747
Outlays from limitation	$14,100,000	$16,457,000

The Railroad Unemployment Insurance Administration Fund receives its money from two sources: (a) a permanent appropriation of UI contributions and (b) an appropriation transfer from the Railroad Unemployment Insurance Account, when permanently appropriated UI contributions are estimated to be less than what is needed for necessary administrative expenses.

The Railroad Unemployment Insurance Administration Fund uses its funds in three ways: (a) it obligates funds each year for operations, (b) it gives back to the UI benefit fund any money transferred in the prior year which was not used in that year, and (c) it can maintain a reserve balance of up to $6.0 million at the end of each year.

The information, expressed in a sources and uses of funds table, is as follows:

UI Administration Sources and Uses of Funds

	Fiscal year 1990 estimate	Fiscal year 1991 estimate
Sources:		
Carry-forward balance, from prior year	$ 7,411,627	$10,589,400
Appropriation from Railroad Unemployment Insurance Account	---	---
Income to the account	18,689,400	21,156,600
Total sources:	$26,101,027	$31,746,000
Uses:		
Administrative expenses (direct)	$14,100,000	$16,457,000
Repayment to benefit account of unused amount of prior year transfer and excess of the balance over $6.0 million	1,411,627	4,589,400
Balance carried forward to next year	10,589,400	10,699,600
Total uses:	$26,101,027	$31,746,000

LIMITATION ON RAILROAD UNEMPLOYMENT INSURANCE ADMINISTRATION FUND
Obligation Table

Obligation by object class	Fiscal year 1990 estimate amounts($)	Fiscal year 1991 estimate amounts($)	Increase or decrease($)
Direct obligations:			
Personnel compensation:			
Full-time permanent	8,684,000	9,253,000	569,000
Positions other than permanent	156,000	200,000	44,000
Other personnel compensation	230,000	275,000	45,000
Total personnel compensation	9,070,000	9,728,000	658,000
Personnel benefits: civilian	1,689,000	1,867,000	178,000
Benefits for former personnel	18,000	25,000	7,000
Travel and transportation of persons	200,000	200,000	0
Transportation of things	39,000	40,000	1,000
Rental payments to GSA	684,000	700,000	16,000
Communications, utilities, and miscellaneous charges	969,000	1,085,000	116,000
Printing and reproduction	113,000	182,000	69,000
Other services	802,000	846,000	44,000
Supplies and materials	273,000	314,000	41,000
Equipment	243,000	1,470,000	1,227,000
Total direct obligations	14,100,000	16,457,000	2,357,000

LIMITATION ON RAILROAD UNEMPLOYMENT INSURANCE ADMINISTRATION FUND

Personnel Summary

Personnel summary	Fiscal year 1990 estimate	Fiscal year 1991 estimate	Increase or decrease
Direct			
Total number of full-time permanent positions	313	314	+1
Total compensable workyears:			
Full-time equivalent employment	309	310	+1
Full-time equivalent of overtime and holiday hours	5	4	-1

Explanation for Changes Between the 1990 Enacted and 1991 Proposed Budgets

Direct Obligations

	Change ($000)
Increases:	
1. Personnel compensation	658
This reflects the following increases: an additional FTE funded by direct obligations, the January 1990 pay raise of 3.6 percent for a full year, one-half of an anticipated January 1991 general schedule salary rate increase of 3.5 percent and the anticipated increase for the Senior Executive Service added in accordance with OMB instructions, and an increase for incentive awards.	
2. Civilian personnel benefits	178
Because additional personnel compensation will be paid, related benefit costs increase. Also reflects a small increase to cover anticipated Federal Employees Retirement System, thrift savings plan, and health insurance costs.	
3. Benefits to former personnel	7
Only a nominal increase in this cost category is projected.	
4. Transportation of things	1
This reflects a nominal increase in this cost category.	
5. Rental payments to GSA	16
This reflects an increase by GSA in expected costs for our space.	
6. Communications, utilities and miscellaneous charges	116
This reflects the net effect of an expected decrease in Federal Telecommunications System costs and an increase in utilities, postage, and equipment rentals.	

Explanation for Changes Between the 1990 Enacted and 1991 Proposed Budgets

Direct Obligations

	Change ($000)
Increases: (continued)	
7. Printing and reproduction We expect a small increase in this cost category for microfiche services and new sickness insurance application forms.	69
8. Other services Only a small increase is provided for miscellaneous service costs.	44
9. Supplies and materials This reflects a small increase for supplies and other material costs.	41
10. Equipment This increase reflects the one-time purchase of a new mainframe computer to support our automation efforts. The entire amount ($1,470,000) provided in this object class for fiscal year 1991 is earmarked for the purchase of a computer mainframe.	1,227
Total increase:	2,357

Justification by Activity

General

Funds from the Railroad Unemployment Insurance Administration Fund are used to administer the railroad unemployment/sickness insurance program provided under the RUIA.

The total staff year requirements for the various activities are summarized below.

	1990 estimate	1991 estimate
1. Maintenance of rail earnings accounts	8	8
2. Processing claims - unemployment	134	136
3. Processing claims - sickness	103	104
4. Rail claimant placement services	3	3
5. Administration	60	58
6. Facility management	1	1
Total	309	310

The RRB is headquartered in Chicago. It has field offices located throughout the country to provide in-person service to railroad workers and members of their families.

In administering this program, RRB staff

-- adjudicate applications and claims for unemployment and sickness insurance benefits;

-- inform railroad workers of their rights and responsibilities under the program;

-- monitor payments to ensure that they are proper;

-- maintain earnings records of railroad employees in order to determine whether applicants qualify for benefits;

-- determine tax rates for employers based on an experience rating system;

-- interpret laws and comment on proposed legislation;

-- develop policies and procedures for program operations;

-- continuously review operations to identify areas where improvements can be made; and

-- maintain data processing, accounting, financial, and personnel operations to support program operations.

In addition to day-to-day administration of the railroad unemployment and sickness insurance program, the RRB must periodically adjust its operations, methods, and procedures to implement new legislation affecting its programs. For example, the RRB is currently implementing the Railroad Unemployment Insurance and Retirement Improvement Act of 1988. This involves indexing annual benefit rates and qualifying earnings requirements to national wage levels, indexing the tax base to increased wage levels, and determining railroad unemployment taxes for individual railroads under an experienced based rating system.

Summary Processing Workload Table

		Unemployment insurance			Sickness insurance		
Fiscal years	Railroad employment 1/	Applications	Claims	Payments	Applications	Claims	Payments
1983	395,000	208,631	1,919,160	1,818,394	76,548	411,877	380,191
1984	395,000	92,799	918,078	870,222	69,587	358,793	334,668
1985	372,000	113,613	717,637	671,441	66,659	345,383	320,117
1986	342,000	105,064	746,523	698,491	62,440	355,489	327,891
1987	320,000	79,647	636,322	588,769	56,198	341,815	314,020
1988	312,000	57,605	427,061	390,002	51,902	312,940	286,681
1989	304,000	48,170	298,025	239,828	45,751	281,203	224,801
1990 (est)	296,000	48,000	305,000	245,000	46,000	290,000	232,000
1991 (est)	289,000	44,000	298,000	240,000	43,000	287,000	231,000

1/ Average annual railroad employment is based on mid-month counts and presented on a calendar year basis.

Descriptions of specific activities involved in administering the railroad unemployment/sickness insurance program follow.

Activity 1. Maintenance of rail earnings accounts

1990 Estimate		1991 Estimate		Change	
Staff years	Amount($)	Staff years	Amount($)	Staff years	Amount($)
8	380,000	8	380,000	---	0

A "qualified employee" under the Railroad Unemployment Insurance Act, as amended by the Railroad Unemployment Insurance and Retirement Improvement Act of 1988, is one who earns creditable compensation of at least $1,862.50 in base year 1990 (the base year is the calendar year preceding each benefit year which begins on July 1), counting no more than $745 a month. The earnings requirement and taxable compensation have been indexed to reflect approximately two-thirds of the growth in average national wages since 1989.

Effective July 1, 1988, the daily benefit rate for both unemployment and sickness insurance benefits paid by the Railroad Retirement Board increased from $25 to $30, raising maximum biweekly benefits from $250 to $300. Beginning July 1, 1989, the maximum daily benefit rate increased to $31 as benefit rates were indexed to reflect approximately two-thirds of the growth in average national wages. This rate remains unchanged at $31 for registration periods beginning July 1, 1990. In addition, in fiscal year 1990, a small portion (1.7 percent) of estimated benefit payments is subject to reduction through sequestration in accordance with the Omnibus Budget Reconciliation Act of 1989.

To determine whether applicants for benefits are qualified and to determine daily benefit rates, the RRB maintains records of railroad service and compensation for each individual who works in railroad employment covered under the Railroad Unemployment Insurance Act. Records of service and compensation must be processed promptly because service and compensation in a calendar year are used to determine eligibility for benefits the following July 1.

Some specific tasks involved in the "maintenance of rail earnings accounts" are

-- maintaining records of railroad service and compensation, in order to determine whether applicants are qualified for benefits;

-- providing appropriate levels of service to railroad workers and employers;

-- resolving disagreements or protests concerning service and compensation matters; and

-- providing support for the above tasks, including data processing and record creation, distribution, retention, and storage.

In 1989, the workload for this activity, which impacted both the railroad unemployment and sickness insurance and the railroad retirement programs, included

-- adjusting 421,000 accounts to credit calendar year 1988 railroad service and compensation;

-- adjusting 22,000 prior-year records;

-- adjusting 3,200 records that contained erroneous or inconsistent information;

-- releasing 375,000 statements of service and compensation to railroad employees;

-- responding to 7,000 inquiries and protests concerning the above statements; and

-- responding to an additional 3,800 inquiries from employers concerning coverage matters or from employees concerning individual records.

Activity 2. Processing claims - unemployment

1990 Estimate		1991 Estimate		Change	
Staff years	Amount($)	Staff years	Amount($)	Staff years	Amount($)
134	5,808,000	136	7,141,000	+2	+1,333,000

In past years, railroad employees applied for and claimed unemployment insurance benefits through railroad employers, and the RRB paid unemployment claims agents to assist unemployed railroad workers in filing claims. During the benefit year beginning in July 1989, a mail registration system was implemented, whereby unemployed rail workers prepared their own claims and mailed them directly to RRB field offices. This change in applying for unemployment insurance benefits was handled through a gradual phase-in of field offices expanding to full nationwide operation by September 1989.

Unemployed railroad workers file biweekly claims for benefits during the period that they are unemployed. Field office staff review the applications and claims for benefits for accuracy and completeness and obtain any needed information. They periodically contact claimants to ensure that they are available for work and are entitled to benefits. Field office staff also perform other activities to ensure that such payments are proper, such as review State records to verify that claimants are not working in non-railroad employment.

In conjunction with a system for registration by mail for unemployment insurance benefits, field office personnel enter unemployment insurance applications and claims on-line for headquarters processing. Prior to the payment of benefits, application and claim data is furnished to the employer to give the employer an opportunity to submit information relevant to the benefit payment determination. Field office personnel evaluate the information provided by the employer and take any necessary action. We currently exchange benefit payment determination data with one large employer via a telecommunications link, and work is underway to have other employers use this system.

The following table shows the number of unemployment insurance claims filed for the last 2 fiscal years and estimates for fiscal years 1990 and 1991.

Fiscal year	Claims filed
1991	298,000 (estimated)
1990	305,000 (estimated)
1989	298,025
1988	427,061

This activity includes

-- adjudicating and processing applications and claims for benefits;

-- providing service to benefit claimants via field offices, itinerant service, and informational conference programs; and

-- ensuring that benefits are computed correctly and paid only to qualified individuals.

In conjunction with this activity, RRB field offices

-- review claims and applications for benefits, reconcile discrepancies, determine whether benefits are payable, and code the applications and claims for headquarters processing;

-- interview claimants to determine eligibility and advise claimants of their rights and responsibilities;

-- conduct record checks with non-railroad employers, and computer matching and record comparisons with railroads and State programs to verify that benefit payments are proper; and

-- provide information to claimants on benefit eligibility, duration, and amounts.

Activity 3. Processing claims - sickness

1990 Estimate		1991 Estimate		Change	
Staff years	Amount($)	Staff years	Amount($)	Staff years	Amount($)
103	4,752,000	104	5,908,000	+1	+1,156,000

Applications and claims for sickness insurance benefits are mailed directly to RRB headquarters. An application is required at the beginning of each period of continuing sickness for which benefits are claimed. Attached to each application is a statement of sickness which must be completed by the employee's doctor.

After the RRB receives the employee's application and statement of sickness and determines eligibility, a claim form covering the first 14 days of sickness is mailed to the claimant and the RRB notifies the railroad employer that an application was received. On the claim form, the employee specifically indicates which days of sickness are claimed and furnishes information on wages or other benefits that may be payable for these days. Additional claim forms are sent to cover later periods if the illness lasts more than 14 days. Also, the claimant may be asked to have his or her doctor

furnish more information about the nature of the illness and its expected duration. The following table shows the number of sickness claims filed for the last 2 fiscal years and estimates for fiscal years 1990 and 1991.

Fiscal year	Claims filed
1991	287,000 (estimated)
1990	290,000 (estimated)
1989	281,203
1988	312,940

This activity includes

-- processing applications and claims for benefits;

-- providing service to claimants;

-- ensuring that benefits are computed correctly; and

-- conducting computer matching and record comparisons with railroads and State programs to verify that benefit payments are proper.

Activity 4. Rail claimant placement services

1990 Estimate		1991 Estimate		Change	
Staff years	Amount($)	Staff years	Amount($)	Staff years	Amount($)
3	165,000	3	132,000	---	-33,000

Every applicant for unemployment insurance benefits is required to file an application for employment service. The application is kept in the field office serving the area in which the claimant registers. As many claimants as possible are called in for a personal interview with an RRB representative. During the interview, the claimants' responsibilities are explained and additional information is obtained about their background, what work they have been doing, and what work they are able to do. First consideration is given to placing claimants in a job in the railroad industry. If this is not possible, an effort is made to place them wherever a suitable job exists. The RRB also maintains a central register of separated employees with at least 1 year of service who are currently available for railroad employment.

Placement activities include efforts to

-- prescribe procedures for interviewing and placing railroad employees;

-- provide job service counseling to railroad employees;

-- provide employment service to railroad carriers;

-- maintain and distribute a central register of railroad employees available for re-employment;

-- assist constituents in areas of job placements and retraining;

-- notify railroad employees directly of appropriate job opportunities;

-- maintain and distribute a national list of job vacancies; and

-- maintain required information and records necessary to evaluate the effectiveness of services provided.

Activity 5. Administration

1990 Estimate		1991 Estimate		Change	
Staff years	Amount($)	Staff years	Amount($)	Staff years	Amount($)
60	2,870,000	58	2,781,000	-2	-89,000

The primary purpose of the RRB is to administer the retirement/survivor and unemployment/sickness insurance programs provided under the Railroad Retirement Act and the Railroad Unemployment Insurance Act for railroad workers and members of their families.

This activity includes a variety of efforts needed to administer these benefit programs and to comply with Federal policies and requirements applicable to the RRB.

Administration includes

-- establishing RRB policies that enable the RRB to accomplish its mission;

-- providing for compliance with requirements and regulations;

-- providing for legal opinions and representation in judicial matters;

-- providing for assistance on legislative, appropriation, or actuarial matters;

-- managing financial assets;

-- recruiting, training, and managing personnel;

-- providing public information services;

-- providing general administrative support;

-- providing training to improve job-related knowledge or skills;

-- maintaining a reference library operation; and

-- ensuring that correct payments are made to those entitled (employees and vendors).

Activity 6. Facility management

1990 Estimate		1991 Estimate		Change	
Staff years	Amount($)	Staff years	Amount($)	Staff years	Amount($)
1	125,000	1	115,000	---	-10,000

The RRB is responsible for the day-to-day management of its headquarters building at 844 North Rush Street in Chicago, with oversight provided by GSA. This responsibility includes building operations, maintenance, recurring repairs, general services, and alterations. Funds are appropriated to a GSA parent account and made available to the RRB by a nonexpenditure transfer authorization.

The RRB incurs additional costs of maintaining the headquarters building over and above the amount covered by GSA. These additional costs are for guard service; contractor overtime to furnish heat and air conditioning before and after normal working hours, various recurring and non-recurring repairs to the building, such as office alterations, electrical outlet installation, and plumbing repairs; and various painting requirements.

Program Integrity Efforts

Although not a separate decision unit for budget presentation purposes, in fiscal year 1991 we plan to use about 44 FTE's (funded from the Limitation on Railroad Unemployment Insurance Administration Fund) to perform a wide range of activities to maintain the integrity of the unemployment/sickness insurance program. Primary examples of these activities, which are in addition to the efforts of the RRB's Office of Inspector General, include railroad payroll matching, State wage matching, and manual wage record checks. The following chart shows by budget decision unit the number of FTE's funded from the Limitation on Railroad Unemployment Insurance Administration Fund that the RRB intends to devote to program integrity matters in fiscal year 1991. (See page 40 for information on program integrity efforts related to the railroad retirement programs.)

Budget decision units	FTE's
Administration	2.3
Maintenance of railroad earnings accounts	0.8
Processing of claims for benefits	40.5
Maintenance of beneficiary rolls	----
Medicare	----
Claimant placement	----
Facility management	----
Total	43.6

JUSTIFICATION OF ESTIMATES
DUAL BENEFITS PAYMENTS ACCOUNT

Proposed Appropriation Language

[Dual Benefits Payments Account] *Federal Windfall Subsidy*

For payment to the Dual Benefits Payments Account, authorized under section 15(d) of the Railroad Retirement Act of 1974, [$340,000,000] *$321,000,000*, which shall include amounts becoming available in fiscal year [1990] *1991* pursuant to section 224(c)(1)(B) of Public Law 98-76; *and in addition, an amount not to exceed 2 percent of the amount provided herein is hereby appropriated and shall be made available proportional to the number of recipients that exceed the number anticipated in the budget estimates: Provided, That of the total amount provided herein, 25 percent shall be derived from the Railroad Retirement Account: Provided further,* That the total amount provided herein shall be credited to the account in 12 approximately equal amounts on the first day of each month in the fiscal year. *(Departments of Labor, Health and Human Services, and Education, and Related Agencies Appropriations Act, 1990.)*

Explanation of Proposed Appropriation Language

Appropriation language	Explanation
For payment to the Dual Benefits Payments Account, authorized under section 15(d) of the Railroad Retirement Act of 1974, [$340,000,000] *$321,000,000*, which shall include amounts becoming available in fiscal year [1990] *1991* pursuant to section 224(c)(1)(B) of Public Law 98-76;...	The proposed appropriation language provides $321,000,000 for payment of windfall (vested dual) benefits. Section 224 provides for taxation of these benefits. Section 224(c)(1)(B) of Public Law 98-76 provides that these tax revenues, estimated to be $18 million in fiscal year 1991, be transferred to the Dual Benefits Payments Account.
...and in addition, an amount not to exceed 2 percent of the amount provided herein is hereby appropriated and shall be made available proportional to the number of recipients that exceed the number anticipated in the budget estimates:...	An additional reserve amount not to exceed $6,420,000 ($321,000,000 x 2%) will be made available only if the number of beneficiaries exceeds the number anticipated in the budget estimates.
...Provided, That of the total amount provided herein, 25 percent shall be derived from the Railroad Retirement Account:...	This proposes that 25 percent of the total amount provided -- $321,000,000 x 25% -- be transferred from the Railroad Retirement Account, or Rail Industry Pension Fund. Under current law, railroad pensions are reduced by 25 percent of any windfall (vested dual) benefit payments.
...Provided further, That the total amount provided herein shall be credited to the account in 12 approximately equal amounts on the first day of each month in the fiscal year.	The monies provided to the Dual Benefits Payments Account are to be made available to the account on a monthly basis in 12 approximately equal amounts.

Authorizing Legislation

Legislation	1991 Authorized	1991 Appropriation requested
Railroad Retirement Act of 1974 as amended: Sections 7(c)(1) and 15(d)(1) and 15(i)(2) Dual Benefits Payments	Indefinite	$321,000,000

Section 15(d)(1):

"There is hereby created an account in the Treasury of the United States to be known as the Dual Benefits Payments Account. There is hereby authorized to be appropriated to such account for each fiscal year beginning with the fiscal year ending September 30, 1982, such sums as are necessary to pay during such fiscal year the amounts of annuities estimated by the Board to be paid under sections 3(h), 4(e), and 4(h) of this Act and under sections 204(a)(3), 204(a)(4), 206(3), and 207(3) of Public Law 93-445."

Section 7(c)(1):

"In any fiscal year, the total amounts paid under such sections shall not exceed the total sums appropriated to the Dual Benefits Payments Account for that fiscal year."

Section 15(i)(2):

"The Secretary of the Treasury shall, on a monthly basis, credit each account established in the Treasury for the payment of benefits under this Act for the proportionate amount of benefit checks (including interest thereon) drawn on each such Account more than six months previously but not presented for payment and not previously credited to such Account, to the extent provided in advance in appropriation Acts."

Appropriations History Table

Dual Benefits Payments Account

Year	Budget estimate to the Congress	House allowance	Senate allowance	Appropriation
1976	$250,000,000	$250,000,000	$250,000,000	$250,000,000
1977	$250,000,000	$250,000,000	$250,000,000	$250,000,000
1978	$250,000,000	$250,000,000	$250,000,000	$250,000,000
1979	$313,000,000	$313,000,000	$313,000,000	$313,000,000
1980	$313,000,000	$313,000,000	$313,000,000	$313,000,000
1981	$350,000,000	$350,000,000	$350,000,000	$350,000,000
1982	$350,000,000	$350,000,000	$395,000,000	$390,000,000
1983	$350,000,000	$430,000,000	$430,000,000	$430,000,000
1984	$350,000,000	$420,000,000	$420,000,000	$420,000,000
1985	$405,000,000	$405,000,000	$405,000,000	$405,000,000
1986	$392,000,000	$392,000,000	$392,000,000	$375,144,000 a/
1987	$351,880,000	$380,000,000	$380,000,000	$380,000,000
1988	$276,000,000	$368,000,000	$368,000,000	$352,323,000 b/
1989	$336,185,000	$355,000,000	$355,000,000	$350,740,000 c/
1990	$333,000,000	$340,000,000	$340,000,000	$340,000,000 d/
1991	$321,000,000 e/			

a/ Represents the full appropriation amount of $392,000,000 less the sequestered amount of $16,856,000.

b/ Represents the House and Senate allowance amount of $368,000,000 less a 4.26 percent reduction in spending ($15,677,000) called for in the full-year continuing resolution for fiscal year 1988 (Public Law 100-202).

c/ A total of $355,000,000 was provided by House and Senate conference less a 1.2 percent reduction ($4,260,000) to $350,740,000 as required by the fiscal year 1989 appropriations act (Public Law 100-436). Of the $350,740,000, an estimated $26,000,000 was funded by income taxes on windfall (vested dual) benefits and the remainder (or $324,740,000) by general revenues.

d/ Of the $340,000,000, an estimated $15,000,000 (net of adjustment for calendar year 1988 income tax reconciliation) will be funded by income taxes on windfall (vested dual) benefits and the remainder (or $325,000,000) by general revenues.

e/ The appropriation language provides for a 2-percent reserve ($6,420,000) on top of the $321,000,000 appropriation. This reserve would be available as budget authority only if the number of windfall beneficiaries exceeds the number anticipated.

Taken as a whole, the proposed appropriation language calls for funding from the following sources.

Funding sources	Budget authority	Reserve a/
General revenue	$240,750,000	$4,815,000
(Funding from general revenue equals 75 percent of the $321,000,000 base amount plus 75 percent of the $6,420,000 reserve amount. Of the $240,750,000 to be funded from general revenue, $18,000,000 is expected from income taxes on windfall [vested dual] benefits.)		
Railroad Retirement Account (Rail Industry Pension Fund)	80,250,000	1,605,000
(Funding from this account equals 25 percent of the $321,000,000 base amount plus 25 percent of the $6,420,000 reserve amount.)		
Totals	$321,000,000	$6,420,000

a/ The proposed appropriation language provides that "***an amount not to exceed 2 percent of the amount provided herein is hereby appropriated and shall be made available proportional to the number of recipients that exceed the number anticipated in the budget estimates***."

Program by Activity	Enacted 1990	Estimate 1991	Increase or decrease
Dual Benefits Payments Account	$340,000,000	$321,000,000	$-19,000,000
Financing			
General funds of the Treasury	340,000,000	240,750,000	-99,250,000
Transfer from the Railroad Retirement Account	0	80,250,000	+80,250,000

29-886 O—90——39

Explanation of 1991 Request

This is the 16th request for appropriations authorized by the Railroad Retirement Act of 1974 to fund windfall (vested dual) benefits received by railroad retirees who, under prior law, would become covered by both the railroad retirement system and the social security system because railroad retirement was not fully coordinated with social security from 1937 to 1974.

Under laws in effect prior to 1975, a worker engaging in covered employment under both the Railroad Retirement Act and Social Security Act could, under certain conditions, receive benefits separately under both acts. Due to the weighted nature of the social security benefit formula, such "dual beneficiaries" received more in total benefits than if all their work had been in the railroad industry. Dual benefits were a cost to the railroad retirement system because the social security benefits paid to railroad retirees were deducted from the financial interchange with the social security system. By the mid-1970's, costs to the railroad retirement system of these benefits exceeded $450 million a year and were a severe financial drain on the system.

The Railroad Retirement Act of 1974 provided for the phase-out of dual benefits by revising the benefit formulas and coordinating payments to remove duplications. It also provided for a windfall (vested dual) benefit to continue payment to annuitants who were qualified for benefits under both programs before 1975 and met certain other requirements.

Initial windfall (vested dual) benefit cost estimates in 1974 were $250 million annually or $6.25 billion over a 25-year period. More recent estimates have put total windfall (vested dual) benefit costs at $11 billion from fiscal years 1976 to 2050.

The 1974 Act did not provide for a reduction in these benefits if the appropriation received in any year was less than full funding. As a result, the Railroad Retirement Account funded the difference between the appropriation and the benefit payments.

The Omnibus Budget Reconciliation Act of 1981 amended the Railroad Retirement Act of 1974 to limit windfall (vested dual) benefits to the amounts actually appropriated and precluded certain annuitants from future eligibility. A separate account was established for the payment of these benefits, and the general fund appropriations are made to that account. Starting in fiscal year 1982, if the general fund appropriation is less than required in any year to pay full benefits, the RRB must reduce (on a pro rata basis) all individual windfall (vested dual) benefit payments so that the total appropriation is not exceeded.

For fiscal year 1990, the RRB has estimated and the appropriation act has provided $340,000,000 to fully fund windfall (vested dual) benefits. It is estimated that $15,000,000 (net of adjustment for calendar year 1988 income tax reconciliation) will be derived from income taxes on these benefits and the remainder from general revenues.

Proposed appropriation language for benefits specifies that $321,000,000 be appropriated in fiscal year 1991. In addition, the language provides for a reserve of up to $6,420,000 to be made available if the budget authority provided ($321,000,000) is insufficient due to unanticipated recipients.

Because the expected amount of revenue to be generated from income taxes on windfall (vested dual) benefits has been difficult to estimate with any precision, the proposed appropriation language allows for any shortfall from the $18,000,000 estimate to be funded from general revenues. The budget also proposes to correct an anomaly in the financing of these benefits. These benefits have been financed from the general fund since 1976. The U.S. General Accounting Office found that windfall (vested dual) benefit appropriations have exceeded the actual costs of paying these benefits. This is due to an offset provision which reduces the regular industry pension payable to these recipients. The offset arose because of partial benefit coordination between 1951 and 1974. Although rail pensions are still reduced by 25 percent of windfall (vested dual) benefit costs, reflecting partial coordination prior to 1975, windfall (vested dual) benefit appropriations assume no coordination. If a rail retiree is eligible for a $100 windfall (vested dual) benefit, his or her regular rail sector-financed pension is reduced by $25. The actual cost of paying this windfall (vested dual) benefit is, therefore, $75, not $100. The extra $25 subsidizes the rail sector costs, which should be borne by the rail sector. If the rail sector had to pay for windfall (vested dual) benefits entirely from their own resources, their costs would have been 25 percent less than what has been appropriated from the general fund.

JUSTIFICATION OF ESTIMATES
FEDERAL PAYMENTS TO THE RAILROAD RETIREMENT ACCOUNTS

Proposed Appropriation Language

Federal Payments to the Railroad Retirement Accounts

For payment to the accounts established in the Treasury for the payment of benefits under the Railroad Retirement Act for interest earned on unnegotiated checks, $100,000, to remain available through September 30, 1992, which shall be the maximum amount available for payment pursuant to section 417 of Public Law 98-76.

Explanation of Proposed Appropriation Language

Appropriation language	Explanation
For payment to the accounts established in the Treasury for the payment of benefits under the Railroad Retirement Act for interest earned on unnegotiated checks, $100,000, to remain available through September 30, 1992, which shall be the maximum amount available for payment pursuant to section 417 of Public Law 98-76.	Section 417 of Public Law 98-76 (Railroad Retirement Solvency Act of 1983) amended the Railroad Retirement Act of 1974 to provide for monthly transfers from the Treasury of amounts for benefit checks drawn 6 months earlier and not presented for payment. Beginning in fiscal year 1991, the RRB will no longer receive credits to this account for the principal amount of uncashed railroad retirement checks under provisions of the Competitive Equality Banking Act of 1987. Instead, such funds, which will be appropriated to the Department of the Treasury, are to be transferred directly to the Railroad Retirement Accounts and the Dual Benefits Payments Account. As a result, the RRB is no longer required to seek prior appropriation authority for the principal amount of the uncashed check transfers. Interest on uncashed railroad retirement checks, however, must still be appropriated in advance to this account.

Authorizing Legislation

Legislation	1991 Authorized	1991 Appropriation requested
Railroad Retirement Solvency Act of 1983 Section 417	Indefinite	$100,000
Railroad Retirement Act of 1974, as amended: Section 15(i)(2)		

"The Secretary of the Treasury shall, on a monthly basis, credit each account established in the Treasury for the payment of benefits under this Act for the proportionate amount of benefit checks (including interest thereon) drawn on each such Account more than six months previously but not presented for payment and not previously credited to such Account, to the extent provided in advance in appropriation Acts."

Appropriations History Table

Fiscal year	Budget estimate to the Congress	House allowance	Senate allowance	Appropriation
1985	$15,000,000	$15,000,000	$15,000,000	$15,000,000
1986	$ 2,200,000	$ 2,200,000	$ 2,200,000	$ 2,200,000
1987	$ 3,100,000	$ 3,100,000	$ 3,100,000	$ 3,100,000
1988	$ 3,100,000	$ 3,100,000	$ 3,100,000	$ 3,100,000
1989	$ 3,100,000	$ 3,100,000	$ 3,100,000	$ 3,100,000
1990	$ 0	0	0	0
1991	$ 100,000			

	Enacted 1990	1991 estimate	Increase or decrease
Program by Activity			
Unnegotiated check reimbursement (interest)	0	$100,000	+$100,000
Financing			
Budget authority (appropriation)	0	$100,000	+$100,000

Explanation of 1991 Request

Prior to enactment of Section 417 of the Railroad Retirement Solvency Act of 1983, amounts for uncashed benefit checks were not credited to the Railroad Retirement Accounts. Section 417 provided a two-part process for recovering unnegotiated benefit check amounts. The first part, represented by the 1985 appropriation request, was a catch-up mechanism to credit the accounts with the amount of all uncashed checks issued prior to May 1985, that the Department of the Treasury and the RRB could jointly identify from accounting records. This amount was agreed upon at $15 million and was appropriated in 1985, to remain available through September 30, 1986.

The second part of the process went into effect for checks issued on and after May 1, 1985. From that date, on a monthly basis, the Department of the Treasury transferred to the account amounts represented by checks drawn earlier and not presented for payment. These amounts were provided in advance in appropriation acts. For fiscal year 1991 and thereafter, the RRB is to seek appropriation authority only for the interest earned on unnegotiated checks. Under provisions of the Competitive Equality Banking Act of 1987, the principal amount of uncashed railroad retirement checks will be appropriated to the Department of the Treasury, which in turn shall transfer such amounts directly to the Railroad Retirement Accounts and the Dual Benefits Payments Account.

Automation Activities for the Railroad Retirement Benefit Program

I. Background

In January 1988, the RRB adopted a multifaceted, incremental approach for the automation of railroad retirement claims processing. This approach called for the gradual modernization of existing systems, rather than development of an entirely new database. A key element of the new approach was that it allowed us to undertake a number of short-term initiatives during the same time that an Automation Planning Group was developing a comprehensive 5-year plan. Using this approach, the RRB was able to successfully implement several retirement automation initiatives during 1988 and to finalize a detailed plan which outlined, in priority order, 23 distinct retirement claims improvement projects (subsequently titled the Action 94 program).

Among the initiatives implemented in 1988, two produced significant improvements in the overall timeliness of initial payments of retirement claims. The first was the Initial Claims project which established an on-line input system for initial retirement and Medicare claims taken in our field offices. The second involved a change in our systems which allowed us to accept and pay most initial retirement claims without the delays involved in obtaining current year service and compensation information. Individual records are updated and annuities adjusted, if necessary, through a subsequent automated update operation. The combined impact of these two initiatives was a reduction of 10 to 40 days in the average processing time required for initial payments.

Other automation initiatives completed in 1988 and 1989 include the following.

-- Automation of award letters System changes were completed in November 1988 to automate the preparation of retirement and survivor award notices.

-- Field Address, Suspension and Termination system On-line systems were developed and enhanced between April and December 1988 which allowed RRB field offices to use the data communications network to input, among other things, reports of death and returned checks, selections of representative payees, and deletion of direct deposit enrollments.

-- Employment Data Maintenance system This new system consists of a database of approximately 12 million railroad employee service and earnings records which are accessible for on-line reference to RRB employees both in field offices and headquarters. These records are used to determine eligibility and entitlement, and to calculate retirement and unemployment/sickness insurance benefit amounts.

-- Improvements in Medicare premium deductions Major systems changes were made to automate the withholding of Medicare premiums from the annuity in cases that previously required separate billings and payments by annuitants.

-- Automated rate verification letters The first of the Action 94 projects to be completed, this system provides for the automated generation of about 60,000 rate verification letters annually.

Other Action 94 projects were initiated during fiscal year 1989, but work on them was suspended in May 1989 to provide staff resources needed to make changes and corrections to the railroad retirement taxation system. The need for these changes was identified as a result of several internal studies in the taxation area requested by the Chief Executive Officer (CEO) in mid-1988. The shift of resources to taxation system work in mid-1989 resulted in

-- a more orderly (less crisis-oriented) approach to the production of tax statements released in January 1990 than occurred in previous years;

-- a reduction in the number of errors in tax programs that caused inaccurate tax withholding/accounting; and

-- updated address information which reduced the number of undeliverable tax statements.

To also improve the service to our beneficiaries, we

-- released a letter of explanation to those annuitants whose tax statements were delayed because their cases must be manually reviewed;

-- developed and made accessible through the IRS's toll-free number, a 5-minute informational message; and

-- improved the print quality for the tax statements.

In addition, the RRB hired an outside contractor in 1989 to work on four additional taxation improvements:

-- Develop an on-line data correction facility for the taxation database to handle selected types of corrections;

-- Develop a data analysis program to detect incomplete or invalid data and replace it with valid data;

-- Improve the performance of the tax database; and

-- Analyze current tax testing processing and develop a new testing facility (after the functional requirements are defined and accepted by the RRB).

The contractor has completed initial work on the first three tasks and is working on the fourth. Further enhancements to these tasks will be undertaken during 1990.

II. Updated Automation Plan

In October 1989, the CEO directed that the Automation Planning Group reconvene to develop a revised plan which incorporates needed taxation system improvements and prioritizes these initiatives with the 22 remaining Action 94 projects.

The updated automation plan, completed on December 29, 1989, recommends an overall automation approach that proceeds in the following three areas simultaneously.

1) Short and long-term taxation improvements.

2) Completion of a backlog of program maintenance requests (for updates and revisions) in the initial retirement adjudication system.

3) Renewed development of other new automation initiatives (Action 94).

The planning group identified seven initiatives within these three areas as having the highest priority. They also specified eight projects at the next level of priority, to be started as soon as additional skilled resources can be made available. These 15 initiatives are outlined below.

1) Short and long-term taxation improvements The taxation projects recommended below were based on the findings in the internal taxation studies produced in 1989, the contractor's proposals for tax system improvements, and other internal action plans for corrective actions needed in the taxation area.

The following four taxation-related projects are in the highest priority category, to be started as soon as possible and to be completed by September 1991.

-- Provide an on-line facility to correct erroneous claims transactions and reprocess them as a means of preventing inaccurate data from entering the payment and tax accounting systems.

-- Complete development of tax correction forms and programs to allow for the manual adjustment of tax data.

-- Change the programs which obtain tax data from the payment systems to run on a quarterly, rather than annual, basis. This should identify potential problems earlier in the year and provide more time for needed corrections.

-- Automate the production of corrected tax statements based on new or revised data.

The three initiatives listed below are taxation projects recommended as part of the second priority group, to be started as soon as additional skilled resources are available.

-- Make retroactive corrections in the allocation of tier 1 benefits between the social security equivalent benefit (SSEB) amount (which is taxed as a social security benefit) and any remaining non-SSEB amount (taxed as a private pension benefit), and issue corrected statements, as necessary.

-- Develop more structured testing methods that will allow us to test tax system corrections and enhancements more quickly.

-- Develop a long-range plan to redesign the tax system to focus solely on tax accounting, withholding and reporting operations and disassociate it from other claims-related processes and systems.

2) Initial retirement adjudication system maintenance The RRB's initial retirement adjudication system makes automated payments in approximately 95 percent of all initial employee and spouse cases. A high volume of requests for technical systems development work over the past year resulted in a backlog of over 50 pending requests for changes to be made in this system. Many of these requests are related to legislative changes, procedure changes, legal decisions and quality assurance findings and are essential to the integrity and accuracy of our initial retirement payments. This initiative is one of the seven highest priority projects recommended by the Automation Planning Group.

3) New automation initiatives (Action 94) The updated plan specified two of the remaining Action 94 initiatives to be included among the seven highest priority projects, as follows.

-- Develop an automated rate history database to provide historical information for certain specific types of transactions, primarily those in support of taxation functions. We plan to begin with a limited history file and expand its scope in future years to broader applications.

-- Automate requests for wage record data in initial survivor cases. This initiative should reduce the time required for initial survivor payments by 20 to 30 days.

The following five Action 94 initiatives are recommended by the planning group as part of the second priority group of projects to be started as soon as additional skilled resources are available.

-- Load and maintain the retirement and survivor master benefit files in a database format. This initiative will test the database approach that is being considered as a standard modification for other RRB claims systems.

-- Develop an on-line system for the employee annuity calculation and payment process.

-- Develop an on-line system for the spouse annuity calculation and payment process.

-- Automate the processing of withholding and actuarial adjustments for the recovery of annuity overpayments.

-- Automate the restoration of an annuity to its full amount after overpayment recovery has been completed.

In addition to the Action 94 projects listed above, the planning group is currently studying the possible addition of one other initiative to its recommendation. This would be a project to modify our initial claims systems to accept retirement applications filed up to 3 months in advance of retirement.

Statement to the Congress Concerning Progress in Establishing Effective Management Controls and Improving the Accuracy and Completeness of Information Provided to the Federal Procurement Data System on Contracts for Consulting Services

United States Code, Title 31, Section 1114(b) requires that the Inspector General or comparable agency official evaluate and report annually on the agency's progress in establishing effective management controls and reporting accurate and complete information in the Federal Procurement Data System (FPDS) on contracts for consulting services.

The Office of Inspector General (OIG) conducted two reviews in this area during fiscal year 1989. The first study revealed minor weaknesses concerning the identification and reporting of consulting services. These problems were primarily caused by vague terminology in the 1980 OMB Circular A-120. The revised circular, issued in January 1988, helped clarify the proper classification categories for consulting services. The Railroad Retirement Board (RRB) completed recommended corrective action by: 1) submitting corrected reports for 1986-1988 to the FPDS, 2) requesting computer programming changes that will produce quarterly reports of all contract actions from the agency's Federal Financial System, and 3) assigning monitoring responsibility for advisory and assistance services to the RRB's contracting officer. The contracting officer also implemented the use of a checklist of management controls to ensure compliance with OMB Circular A-120 and RRB internal policies.

The OIG, in the second study, examined the RRB's contract documentation to determine if existing management controls for competition in contracting for consulting services are adequate. The review showed no condition requiring corrective action.

William J. Doyle III

William J. Doyle III
Inspector General

DEC 18 1989

Statement to the Congress
Concerning Agency Compliance
on the Use of Federal Funds for Influence Peddling

Public Law 101-121 imposing government-wide prohibitions on the use of Federal funds for influence peddling requires that each Inspector General develop an annual report to Congress concerning agency compliance with these new restrictions. The Inspectors General are required to evaluate compliance and effectiveness including any alleged violations and penalties imposed under the law.

The law requires that the report of the Inspector General be submitted to the Congress at the same time that the agency submits its annual budget justification.

Since only two months have elapsed between the law's effective date and the next agency budget justification in February 1990, it is not possible to evaluate and report on the full cycle of agency activities.[a] The Railroad Retirement Board will not be required to prepare and submit a report under the new law until May 31, 1990.

We contacted agency officials for a report on their planned compliance with the law. On January 12, 1990, the agency presented their basic plan for compliance and reported that only a single contract exceeding $100,000 has been issued since the law's effective date. A copy of the OMB certification clause will be forwarded by Board management to the contractor for appropriate notice and signatures.

William J. Doyle III
Inspector General

JAN 24 1990

a/ The law was enacted on October 23, 1989 and became effective 60 days thereafter. The first report by the Railroad Retirement Board for the period October 1, 1989 - March 31, 1990 will be due May 31, 1990.

Summary of Full-time Permanent Positions

	1989 Actual	1990 Est.	1991 Est.
Executive Level III	1	1	1
Executive Level IV	2	2	2
Subtotal	3	3	3
ES-5	1	1	1
ES-4	4	5	6
ES-3	2	2	2
ES-2	1	1	1
ES-1	2	1	0
Subtotal	10	10	10
GS/GM-15	39	39	39
GS/GM-14	57	57	57
GS/GM-13	67	70	71
GS-12	218	219	220
GS-11	164	168	170
GS-10	204	205	206
GS-9	147	149	151
GS-8	152	153	153
GS-7	179	182	184
GS-6	72	71	71
GS-5	156	160	163
GS-4	120	122	122
GS-3	56	55	55
GS-2	34	40	40
GS-1	0	0	0
Subtotal	1,665	1,690	1,702
Wage Board	19	19	19
Total	1,697	1,722	1,734
Unfilled positions as of September 30	72	70	65
Total full-time permanent employment (end of year)	1,625	1,652	1,669

Includes full-time permanent positions reimbursable for Medicare (HCFA). Positions in the Office of Inspector General are not included.

WEDNESDAY, APRIL 4, 1990.

RAILROAD RETIREMENT BOARD: OFFICE OF INSPECTOR GENERAL

WITNESS

WILLIAM J. DOYLE III

Mr. NATCHER. At this time, we take up the budget request for fiscal year 1991 for the Railroad Retirement Board, Office of the Inspector General. We have before the committee Mr. William J. Doyle III.

Mr. Doyle, it is a pleasure to have you back before the committee, and we will be pleased to hear from you at this time.

OPENING STATEMENT

Mr. DOYLE. Good morning, Mr. Chairman.

I am pleased to be here this morning, and I would like to testify in support of the 1991 budget request of $7,698,000 and 119 FTEs. I would like to submit my testimony for the record and make a few brief remarks about my testimony.

I would like to summarize a sample of budgeting accomplishments achieved by the OIG since 1988 in both the audit and investigative areas. In 1988, the budget of $2,200,000, our Office returned over $77,000,000 to the Railroad Retirement Board Trust Funds.

In 1989, with a budget of $3,200,000, over $149,000,000 was returned to the Railroad Retirement Board Trust Funds.

In 1990, with a budget of $3,900,000, approximately $380,000,000 was returned to the Railroad Retirement Board Trust Funds in the first six months. This means that with a total three-year budget expenditure of $9,300,000 we devoted to the investigative and audit effort, about $606,000,000 was returned to the trust funds; or to look at it another way, for every dollar that this committee has provided to our office, and that summary is $9,300,000 for the last three years, we have returned an equivalent of $65 for every budget dollar received.

We feel we have been productive and cost-effective and a great deal of audit and investigative work has been accomplished since the inception of the IG in 1986. We have been successful partly because this committee has given us strong support. The fact is that we have a talented, motivated and highly professional staff in the IG's Office that works very hard, and that offices within the Board, especially the Offices of Retirement Claims, Unemployment and Field Service are very attentive in bringing audit and investigative issues to our attention for resolution and consideration.

And finally, the Board itself continues to work closely with us in identifying management issues and seeking solutions to improve

the overall operations of the Board. However, I think a great deal still needs to be done. Tax audits of Class I railroads should be increased substantially, as well as those of the short lines.

Aggressive efforts should be made to insure that the railroads are paying the proper employment taxes and that fines and penalties, which in the past have really not been collected, are assessed by the IRS with the railroads that are in non-compliance.

Accounts receivable backlogs and program fraud are still areas of concern that we have in the Office of Inspector General. The expansion of audit and investigative coverage in the health care and disability areas also need to be expanded.

I think finally, working with the Board to find solutions to the above outlined problems as well as creating a credible deterrence against fraud in the Railroad Retirement Board programs for those who would commit this fraud. We need to find solutions to stop it.

The Railroad Retirement Board beneficiaries have worked long and hard for the benefits to which they are entitled. They deserve responsive, accurate processing of their claims. They should expect a high degree of accountability in the management of the trust funds. They should come to expect a minimum of fraud in their programs.

I think with your support for our 1991 budget request and our continued close working relationship with the Board in resolving management issues, we can and will provide the quality of a program that the beneficiaries should expect.

This concludes my remarks. I would be happy to answer any questions you may have about our 1991 budget.

[The information follows:]

Testimony for the Record

March 22, 1990

BEFORE THE
SUBCOMMITTEE ON LABOR, HEALTH AND HUMAN
SERVICES, EDUCATION AND RELATED AGENCIES
OF THE COMMITTEE ON APPROPRIATIONS
U.S. HOUSE OF REPRESENTATIVES

TESTIMONY OF THE INSPECTOR GENERAL OF THE
RAILROAD RETIREMENT BOARD

APRIL 4, 1990

Mr. Chairman and Members of the Subcommittee:

My name is William J. Doyle III, Inspector General of the Railroad Retirement Board (RRB). I am here today to speak on behalf of my budget request for FY 91.

Let me once again thank you, Mr. Chairman, and the other members of your subcommittee, for your strong support of the Office of Inspector General during the past year.

For fiscal year 1991, the Office of Inspector General is requesting a total of $7.698 million and 119 FTEs. This represents an increase of $3.795 million and 45 FTEs over the 1990 base.

This budget request was recommended by the Administration, and I strongly support the Administration's recommendation.

The Railroad Retirement Board's Office of Inspector General was established in January 1986 to provide audit and investigative coverage of the RRB - an agency which provides Federal insurance protection for America's railroad workers and their families. Since the OIG's inception, it has been our goal to eliminate fraud, ensure that benefits are paid accurately and timely to beneficiaries, and finally, to safeguard the trust funds from which all benefits are paid.

In the past 15 months, our audit and investigative efforts have resulted in $169.9 million in recoveries and potential monetary benefits together with 82 criminal convictions. We have made major contributions towards improving the economy and efficiency of RRB operations and increasing fraud awareness through a comprehensive audit and investigative program coordinated with Board management and operations. Since 1986, our Offices of Audit and Investigations are credited with identifying $410.2 million in actual and potential recoveries and 135 criminal convictions.

After three years experience, this office has reviewed past accomplishments and audit and investigative efforts to be undertaken in order to strengthen RRB programs and operations. During this time, the OIG has been working closely with the Board Members and operations managers. Major problems, however, still exist, and a theme emerges that substantial fraud continues to exist in the RRB benefit programs. Even our aggressive investigative and audit efforts together with Board support have not reversed this alarming trend that shows that the perception still exists that RRB programs remain a fertile area for perpetrators of fraud. This office cannot at this time provide a credible deterrent to this perception.

I would like to share with you my major areas of concern that relate directly to the Office of Investigations (OI) and its mission. They are:

- Health care fraud, and
- Fraud in RRB entitlement programs.

The Office of Investigations is divided into two units: one which investigates health care, disability and internal investigations, and a second that handles unemployment, sickness, and retirement annuity (check theft and forgery) violations. As our investigative coverage increases nationwide, we are now just beginning to recognize the degree of widespread fraud associated with these RRB programs.

Our comprehensive fraud and investigative program review over the last three and a half years has shown that a very serious fraud problem exists in the various entitlement programs of the RRB. Any fraud, regardless of the amount of dollars involved, reduces funds available for current and

future railroad retirement beneficiaries. Our experience indicates that fraud is on the rise at alarming rates. Since 1986, the number of cases under investigation has risen over 1,000%, from approximately 150 to over 2,044. The total fraud amount is now approaching over $15 million. This is even more disturbing considering the fact that this office is only in the early stages of establishing a Medicare fraud program, as well as computer matching techniques to uncover fraud in other programs. The RRB, through its contract with The Travelers Insurance Company, pays out over $650 million annually in Medicare benefits. The potential exists to open Medicare investigations representing tens of millions of dollars in fraud. This potential has already been realized by the Department of Health and Human Services (HHS), Office of Inspector General (OIG), with which this office is working closely in joint investigations. We also have a joint HHS/RRB Medicare review in process wherein criminal matters are being cross matched with Railroad Medicare. Over 400 new joint investigations could result from this cross match.

Let me give you a few examples of Medicare fraud being investigated by our Office of Investigations in cooperation with HHS-OIG.

> OI is investigating an ophthalmologist who owns and operates a large clinic specializing in laser and cataract surgery; this doctor has allegedly falsified eye examination results in order to justify otherwise unnecessary and costly surgery. Billings to Railroad Medicare alone are over $2.3 million.
>
> Another ophthalmologist is suspected of over-utilizing laser eye surgery and billing for eye surgeries during which the eye laser machine was not even turned on. This doctor has billed over $100,000 to Railroad Medicare.
>
> OI is investigating a durable medical equipment company which specializes in providing colostomy equipment supplies to nursing homes. Our investigation to date indicates that this

company has billed Medicare for supplies such as colostomy equipment that, in fact, were never delivered to the nursing homes. This company has billed Railroad Medicare for over $200,000.

As a result of a complaint received through our OIG Hotline, OI is investigating a physical therapy clinic, alleged to have treated Railroad Medicare beneficiaries for therapy that was not ordered by their doctors. These treatments, of course, resulted in multiple false billings to Medicare.

OI is investigating a medical doctor who specializes in complex examinations and nursing home visits. This doctor has billed Medicare for as many as 54 examinations in a single day. The doctor allegedly bills Medicare for individual visits when group visits should have been billed.

Our unemployment fraud cases have risen to an all-time high of 1,253 open investigations representing over $2.5 million in potential fraud even though computer matching techniques are only being used in seven states. Therefore, if the seven states are indicative of fraud in other states, then the potential exists for literally thousands of fraud cases in states where matching programs have not even been started. As our computer matching programs expand, we project that we will open an additional 1,000 cases in the next 60 days. While these cases are not always of high dollar amounts, they represent, as stated earlier, a propensity of individuals to "tap the trust funds" for their own ill-gotten gains.

Two examples of cases in the unemployment and sickness insurance program which underline the greed of some individuals are:

An individual who was previously investigated by OIG/OI and prosecuted for fraudulently claiming over $9,000 in sickness benefits is once again the target of an investigation. The current case involves allegations that the subject may

have made material misrepresentation regarding his eligibility for sickness benefits after receiving severance pay from a railroad employer.

An example of the disregard some have for the rules of the programs is the individual who claimed unemployment benefits while he was also working at a railroad. Another railroad employee reported this activity and, as a result, the employing railroad removed the offender from his job. Investigation identified $10,000 paid due to these illegal claims. The subject was recently convicted of felony fraud in this very important matter.

Another area on which we are focusing is disability fraud. The RRB currently has 41 open cases that have a total financial value exceeding $2 million. To date, we have conducted disability computer matches in only two states; therefore, the potential for expanded fraud cases exists in this program as well. Our Office of Investigations has been quite active in disability fraud investigations. Some examples are provided in the following:

One OI case involves an RRB disability annuitant who, in 1985, was granted an RRB disability annuity due to an arthritic condition in his right knee. Subsequently, allegations were received that the subject was engaged in heavy construction work through his own construction contracting company. Evidence to date indicates that the subject has established a construction company in his wife's name and may be "hiding" income in excess of that allowed under the disability regulations.

Another current disability investigation was opened as a result of a complaint received through our OIG Hotline, which alleged that the subject, after receiving an RRB disability for an arthritic knee condition, owned and operated his own company. The investigation has disclosed that the subject does, in fact, own and operate his own company, which the subject placed in his wife's name shortly after

receiving his disability in 1988. Ironically, the subject's company specializes in installing railroad ties. This company earned over $100,000 in a three month period in 1989.

A third case involves an RRB disability annuitant who is receiving disability annuity benefits based upon a degenerative back condition. However, evidence has been obtained that the subject has been heavily involved in carpentry and construction work.

Another area that is highly vulnerable to fraud and abuse is that involving representative payees. This program involves individuals who volunteer to handle RRB retirement benefit payments on behalf of another person. The RRB currently has a program in place to monitor these payees. However, because of recent publicity detailing abuses in this type of program, we plan to increase our audit and investigative efforts to improve current operations and tighten controls.

A few sample cases of abuse in this area include:

A woman concealed her disabled daughter's 1977 death from the RRB; our investigation verified the death. Upon interview, the mother admitted that she defrauded the RRB of about $100,000 because she needed the money.

An annuitant with diminished mental capacity was cared for by her sister until her sister's death. A nephew, a convicted felon, then became the annuitant's representative payee. Later, the RRB determined that the annuitant had been underpaid $31,517 and sent the representative payee a check for this amount. Investigation disclosed that the representative payee used this check to purchase trucks for himself while the annuitant was kept locked in her bedroom and neglected.

OIG/OI received an allegation that a representative payee kept a widow and her son in what a state Human Services Department official described as "....a condemned house...in sub-human conditions." This representative payee

kept most of the RRB benefits for his own use and gave the widow very little care. This representative payee was ultimately killed during a drug deal before we could interview him.

Our investigative efforts also include fraud in the retirement benefits area. All too often, family members of the RRB retirement annuitants defraud the program after the death of the annuitants.

In one instance, husband and wife annuitants died within a week of each other. The RRB was never notified of the deaths and continued to issue checks totaling $32,000. Relatives claim that unknown persons must have taken the checks from the annuitants' mailbox since their deaths.

In another case, an annuitant died in 1976 but the RRB did not discover the death until 1988. During that time, over 144 checks totaling $59,000 were paid into a checking account on which the annuitant and several relatives were signatories. The money is gone, and we are investigating.

You can see that as our staffing of investigators has increased over the past three years, so too has the investigative caseload increased in number and complexity. The average caseload per agent has risen to its present level of about 128 cases per special agent. Cases presented to the U.S. Attorneys also increased to an all time high of 371 in FY 89. Last year when I testified, our caseload average was 63 per agent. We currently have 85 open cases pending prosecution with U.S. Attorneys across the country.

In summary, even though we have increased the number of investigations, convictions, and joint activities with other agencies, fraud remains at a high level of concern for the OIG and Board management. The hiring and training of new investigators takes time, and the investigative workload is

increasing substantially. More investigations are part of the solution to decrease fraud, but the OIG's ability to create a credible deterrent against committing this fraud is also essential to reducing fraud in the benefit programs.

I would now like to discuss the major audit concerns that we plan to address in FY 91. I feel this office has and will continue to have a direct impact on improving the day-to-day operations of the RRB. The Office of Audit priorities include:

- Non-compliance of payroll taxes by major rail employers (payroll tax revenues paid by railroad employers and their employees exceeded $4 billion in FY 88; it is imperative to the health of the trust funds that all taxes are collected from the railroads);

- Oversight of the RRB trust funds and investment practices (the agency's annual cash flows exceed $23 billion, with incoming funds of $12 billion and outgoing funds of $11 billion);

- Excessive backlogs in claims processing adjustment cases (these backlogs currently have a monetary impact of $55 million; a primary goal of the RRB is to pay accurate and timely benefits);

- Review of deficiencies in current collection programs (receivables currently total over $58 million);

- Vulnerability of the Medicare program that pays out over $650 million annually, and for which the RRB has a $20 million contract with The Travelers Insurance Company; and,

- Review of Board policy and direction in improving the timeliness and accuracy of tax statements to railroad beneficiaries.

The Office of Audit presently is divided into 5 divisions that correspond to the main operational areas of the RRB. The Office is responsible for the review and evaluation of RRB programs, and the subsequent timely reporting of all

problems and deficiencies to the Board Members and Members of Congress. The Office also tracks the progress of corrective actions taken by RRB managers on audit recommendations.

Since 1986, the Office of Audit has issued 54 reports that have identified potential and actual monetary benefits exceeding $406.7 million. In addition, we were also recently informed that a 1987 RRB-OIG audit recommendation on the financial interchange -- the annual funds transfer between the Social Security Administration (SSA) and the RRB -- will result in a one-time credit to the RRB trust funds of some $350 million. Our audit report recommended that the RRB and SSA should develop a new formula for calculating interest rates used in the transfer. As a result, an agreement was reached, and the RRB will receive retroactively additional interest based on the new formula. This transfer of $350 million will take place in the June 1991 financial interchange. The RRB will also receive an annual increase of approximately $30 million in interest charges. Because of the large monetary effect to the RRB trust funds, we will continue reviews to ensure that financial interchange benefit calculations are being computed correctly.

Another significant recovery resulted from our review of the U.S. Treasury's annual adjustments from the RRB's tax receipts account to the RRB trust funds. OIG auditors found that numerous keypunch errors were made by Treasury, and the RRB did not have access to sufficient documentation to substantiate the year-end adjustments. Our reviews of adjustments for fiscal years 1985 through 1989 uncovered adjustment errors involving over $110 million. As a result of our efforts, these funds have now been credited to the RRB trust funds by the U.S. Treasury.

In FY 91, our major audit emphasis will be in those high risk areas that will significantly impact the RRB operations and its annuitants. We will continue to monitor trust fund adjustments and audit the investment practices of the RRB. We plan to expand our audit coverage of railroad employers -- an area with substantial monetary impact. Taxes imposed by the Railroad Retirement Tax Act on employers and employees remain the primary source of income for paying

railroad retirement and survivor benefits. As a result, our audit plan includes continuing reviews of the nation's 18 largest railroads and further increasing efforts to identify fraud and abuse in the RRB programs. To date, we have reported on widespread non-compliance of payroll taxes and have identified a significant number of potential unemployment fraud cases.

We will study RRB's current policies in the debt collection area to identify any current weaknesses in their programs -- over $58 million were outstanding at the close of FY 89. The RRB continues to lose substantial funds because of collection system deficiencies.

In a joint effort with the RRB, Office of Investigations and the Department of Health and Human Services-OIG, the Office of Audit will continue its specialized reviews of the RRB's Medicare Part B carrier's payment system to identify system weaknesses that permit health care providers to defraud and abuse the program.

Our audit efforts must also address serious weaknesses in two RRB processing areas that have a significant negative impact on railroad beneficiaries: taxation programs and mass adjustment case backlogs. The RRB's tax programs have experienced major problems in producing accurate and timely tax statements for the beneficiaries. For example, during one month of 1989, the RRB's field offices received over 30,000 inquiries involving tax questions and problems. We will follow up on new operating procedures recently implemented to evaluate their effectiveness to ensure that beneficiaries are provided with correct and timely tax statements. The second processing area involves the enormous volume of cases that are currently backlogged, especially the mass adjustments of payments that require manual review. We plan to study these areas and suggest ways to alleviate their condition because of the harmful effect on the beneficiaries as well as their potential financial impact.

Finally, there is a need to assess the RRB's current internal control systems to ensure compliance with OMB Circular No. A-123 and other applicable regulations by reviewing the agency's own evaluation of its programs and

reporting on the weaknesses uncovered. It is important to note that a number of serious deficiencies in high risk areas have been identified by RRB management, primarily due to management information obtained from my Office of Audit.

The additional staffing that we have requested will enable us to continue to accomplish our mandated audit responsibilities and to address those new areas of audit concern we have discussed.

With additional resources, we will form a new operating unit -- the Office of Analysis and Inspections. This office will conduct short-term analyses and evaluations of RRB programs and policies. These studies will be initiated at the request of the OIG or RRB managers and will be completed within a relatively brief period of time. This unit will enable the OIG to present prompt solutions to problems identified by RRB management in those areas that cannot afford a lengthy audit or investigation. The work of this office will complement our current audit and investigative efforts by making reviews of a limited activity or specific area, and providing the OIG with greater coverage of agency operations. Staff personnel will review programs to detect indications of fraud, waste and abuse, and make referrals for further action to the Office of Audit or the Office of Investigations. We believe that the success of the Inspection unit in other OIG organizations justifies this needed addition to our operation.

In summary, the Office of Inspector General continues to achieve substantial results through the Offices of Audit and Investigations, and in close cooperation with senior RRB management and dedicated field personnel. There are sufficient systemic weaknesses in RRB programs that require an effective audit and investigative force. The OIG's emphasis will continue to be towards improving agency operations, combating fraud and providing timely and accurate benefits to the railroad beneficiaries. Much needs to be done, however, because we and the Board still have areas of concern which require vigorous coverage, but our level of coverage is still dictated by our present level of staff resources. Our increasing number of fraud cases also shows we are not yet able to provide a credible deterrent against fraud.

To address those concerns that I have briefly outlined, we have requested a budget which will be used to hire additional auditors, investigators and to open a third major IG component, namely an Office of Analysis and Inspections. Our responsibilities include the review of RRB programs that have an annual cash flow of over $23 billion. At the requested level of 119 FTEs, our dollar oversight will remain high at $193 million per staff member. We continue to have one of the best cost effective ratios in the IG community. With additional staffing, we will increase our ability to address management, investigative and audit concerns. It will also enable us to handle the ever increasing investigative caseload, presently at 2,044, that has a potential fraud value of approximately $15 million. In addition, we will continue to expand our audit coverage of major railroad employers and the Medicare program. With the establishment of the newly formed Office of Analysis and Inspections, we will initiate new studies to enhance RRB programs and operations.

Finally, I would like to alert Members of the Committee to the attachment I have provided to my testimony. The document is the OIG Cost Saver and Revenue Enhancement Guide that we developed as a reference tool for identifying areas for financial improvement at the RRB. Implementation of the recommendations in the Guide could result in $182.5 million in one-time savings and $23.1 million annually in recurring savings. The Guide is intended to be used by those who have a vital interest in improving the financing of the railroad retirement system. The Guide is updated every six months as the semiannual report to Congress is being prepared.

We need your continued support. The Administration recognizes the magnitude of the problem faced by the OIG at the RRB, and has approved our entire 1991 budget request. Since we also recognize the need for additional resources, we strongly support the Administration's recommendation and urge the Members of this Committee to do the same. Mr. Chairman, this concludes my formal remarks. I will now be glad to answer any of your questions. Thank you.

BIOGRAPHY

WILLIAM J. DOYLE III

INSPECTOR GENERAL
RAILROAD RETIREMENT BOARD

On December 18, 1985, William J. Doyle III was confirmed by the U.S. Senate and was sworn in as the first statutory Inspector General of the Railroad Retirement Board at the White House on January 14, 1986.

Headquartered in Chicago, the Board administers the $6.7 billion-a-year benefit programs provided under the Federal Railroad Retirement and Unemployment Insurance Acts covering the nation's 1.5 million active and retired railroad workers and their families. The Board also assists in the administration of other federal laws covering railroad workers.

Mr. Doyle is one of 23 statutory Inspectors General who are responsible for promoting economy, efficiency and effectiveness and for detecting fraud, waste and abuse in Federal programs. Mr. Doyle served as Inspector General for ACTION, the national federal volunteer agency from 1981 to 1986.

From 1976 to 1981, he was the Executive Assistant to the administrator of the Law Enforcement Assistance Administration at the U.S. Department of Justice, where he twice received Presidential letters of appreciation and received two outstanding awards from the Attorney General.

In 1975 and 1976, Mr. Doyle was Acting Director for the Office of Mortgagee Compliance at the Department of Housing and Urban Development in Washington, D.C., where he received the Department's Special Achievement Award in 1975. During that time, he also served as Executive Management Advisor to the Executive Director of the Commission on Federal Paperwork.

From 1972 to 1974, Mr. Doyle served as Deputy Director of the Office of Compliance and Enforcement, Price Commission, Executive Office of the President, in Washington, D.C., where he twice received the Commission's highest Award for Management Excellence.

From 1968 to 1972, he held various positions in the private sector including Executive Vice President of ESDI, a management consulting firm specializing in the design of management systems.

He is a member of the President's Council on Integrity and Efficiency, the Association of Federal Investigators, and the Vice Chairman of the Midwestern Intergovernmental Audit Forum.

Born May 18, 1941, Mr. Doyle is a native of Daytona Beach, Florida. He earned a Master's Degree in International Law and Relations in 1968 from Catholic University, Washington, D.C. and was awarded a Dean's scholarship for completion of his Ph.D. studies. He graduated from Canisius High School, Buffalo, New York while a resident of the town of Tonawanda.

He resides in Barrington Hills, Illinois with his wife, Barbara Mattax Doyle, R.N., M.S., Midwest Regional Director of Intracorp, a subsidiary of CIGNA. Mr. Doyle has two children, William James and D'Arcy Claire, from a previous marriage.

Mr. NATCHER. Thank you very much, Mr. Doyle.

STAFFING INCREASE

Now, Mr. Doyle, I believe you asked for a 60-percent increase in staffing, an additional 45 FTEs. How would you distribute this increase?

Mr. DOYLE. Basically, we would add an additional 22 positions to audit and 17 to investigations, and we would apply six to the new Office of Inspections and Analysis that we are getting ready to set up in 1991.

Mr. NATCHER. How many staff do you currently have on board?

Mr. DOYLE. We have approximately 74.

Mr. NATCHER. How does your staff size compare to other Federal Inspectors General Offices, given the size of the audit universe, just generally speaking, Mr. Doyle?

Mr. DOYLE. I would say we have one of the smaller staffs overall, compared to the responsibility of dollar oversight.

Mr. NATCHER. Your average caseload for an investigator has doubled in the past year. What is a reasonable annual caseload per year?

Mr. DOYLE. I would say approximately 75 to 80, but that is dependent on the case itself. A medicare case, three or four could be a sufficient load for an investigator, because they are complicated cases, whereas if you had 75 unemployment cases, that would be a reasonable workload for an agent.

Mr. NATCHER. At what point, time-wise, Mr. Doyle, do you define a case as backlogged? And in addition, what is your current backlog?

Mr. DOYLE. I will answer the last question first. We have approximately 2,000—2,085 cases open at the present time, and roughly half of those right now are backlogged. We determine a case to be in backlog when we are not actively doing anything on the case because of lack of resources.

OFFICE OF INSPECTIONS AND ANALYSIS

Mr. NATCHER. What is the need for an Office of Inspections and Analysis?

Mr. DOYLE. It is really a bridge between audit and investigations, and simply put it is to provide a very quick response to management issues where you may have a problem in a certain area. To conduct an audit, it may take months. It may not require an investigation, but it does require a rapid response with some analysis and review.

The purpose of this division would be to do just that. The majority of Inspector General Offices in the government are setting up these offices because they realize the need there for them responding to management concerns within their agencies.

Mr. NATCHER. What other Offices of Inspector General have a similar function?

Mr. DOYLE. Health and Human Services, Departments of Commerce, Agriculture. I would be happy to give you a full list of those.

Mr. NATCHER. That would be fine.

[The information follows:]

INSPECTIONS AND ANALYSIS DIVISIONS

As of September 30, 1989, four Offices of Inspectors General had established Inspection and Analysis Divisions: the Department of Health and Human Services, Department of Defense, Department of Commerce, and Department of State.

FIELD OFFICE

Mr. NATCHER. What, Mr. Doyle, is the extent of your field office structure in terms of staff and offices?

Mr. DOYLE. At the present time, we have one field office which is open in Houston, Texas. It is staffed right now with two people. It is to go up to four. GSA is handling our staffing arrangements working with the people at the Board.

MEDICARE

Mr. NATCHER. What reviews have been performed on the Board's medicare contractor?

Mr. DOYLE. We have just completed four reviews. They are not quite complete. They will be complete within the next 30 days, concerning secondary payee issues, utilization review, the timeliness of the claims being paid, and the accuracy and the review of the medicare unit that the Board has in place to review the activities.

Mr. NATCHER. What other reviews, Mr. Doyle, have you performed involving the medicare program?

Mr. DOYLE. That is all we have undertaken at the present time, but we are set in 1991 to do more in the investigative area with the medicare program.

INVESTIGATIONS

Mr. NATCHER. Of the almost $15,000,000 identified in fraud cases, how much do you anticipate can be recovered?

Mr. DOYLE. If we can estimate, by what the past has shown us, and a great deal of this is dependent on the judges in terms of what they assess as fines and penalties, we can expect to get back anywhere from 20 to 60 percent of this.

Mr. NATCHER. How many cases were generated in 1989 from hotline calls, Mr. Doyle?

Mr. DOYLE. We had overall, I think about 2900 calls on the hotline, and all of those—and out of those, we had about 18 that developed into good investigations. I might add that all you need is one good case on the hotline to be productive, to show the utilization of that hotline.

Mr. NATCHER. What percentage of your cases are referrals from the Board?

Mr. DOYLE. It depends on the program. Some are as high as 80, 90 percent. Others are 50 percent. But the Board works very closely with us in referring these cases to us.

Mr. NATCHER. How many cases did you refer to the U.S. Attorney in 1989, and how many were accepted?

Mr. DOYLE. We referred approximately 395 cases to the U.S. Attorney and cases that we have sought prosecution and discussions

with the U.S. Attorney, we are getting an acceptance rate of about 95 percent.

Mr. NATCHER. Will your efforts to monitor the investment practices of the Board be duplicative of the Railroad Retirement Reform Commission's work and the Board's contract reviews?

Mr. DOYLE. No, I don't think so.

Mr. NATCHER. In your opinion, are the Board's efforts to improve the taxation programs adequate?

REVIEW OF BOARD'S ACTIVITIES

Mr. DOYLE. The Board just recently completed four reviews and set up an Office of Taxation to deal with the problems they experienced in 1988, and as far as we know, and we have not done a review of this, they have taken corrective action to alleviate the problems they had.

Mr. NATCHER. How about their work to reduce the backlogged cases? Are they doing a fairly good job?

Mr. DOYLE. We have just begun an audit of that right now. We are in the preliminary stages. It appears that the Board is working aggressively in this area.

PENALTIES

Mr. NATCHER. What are the maximum penalties available for fraud convictions in cases involving the Board's benefit programs, Mr. Doyle? And what have been the typical penalties in cases which you referred to the United States Attorney?

Mr. DOYLE. Well, we are usually not recommending incarceration, but we are recommending strong fines, penalties and community service as far as penalties for those who would cheat the trust fund.

AUDIT UNIVERSE

Mr. NATCHER. What is the audit universe of railroad companies, and also tell us what is the audit cycle supported in 1990 and 1991? And what is your goal, Mr. Doyle?

Mr. DOYLE. The audit universe for the railroads that we are working with are approximately 18 Class I railroads and literally hundreds of short lines. In our audits of the railroads, we are finding that we are finding serious problems with the small ones as well as the large ones, so it doesn't appear to be that we are just only the large Class Is are providing substantial audit findings.

I am sorry. The second part of your question? Would you repeat it, please?

Mr. NATCHER. Also, tell us what your goal is. How often are they audited, Mr. Doyle?

Mr. DOYLE. With the resources we have right now in the last year, utilizing all of the auditors we have on the auditing of railroads, we have audited 13 railroads out of that universe. We would hope that we would be able to get the—especially the Class I railroads down to a cycle of six years, best guess, five years on a routine basis, we would be able to do that.

STAFFING STUDY

Mr. NATCHER. Now, the proposed bill language that we have before the committee earmarks, as you know, $300,000 for an examination of the Board's use of staff. Tell us now how these funds would be used and why is this study necessary, Mr. Doyle?

Mr. DOYLE. Well, this is a study that was requested by the Office of Management and Budget and that we undertake. I think the purpose that OMB is attempting to get at is to find out what are the basic needs of the Board. Does the Board need more people? Does the Board need less people? What are the actual staffing needs of the Board?

A study really has never been done to say this is—these are the resources we need to do our job. There has been a lot of changes in the law, complications brought upon by the legislative changes, and no one with any kind of precision can say exactly how many staff the Board really needs.

I think this is the purpose that OMB would like to—the reason for having this done.

Mr. NATCHER. Mr. Conte, I yield to you. And I also want to say to you on the record, I think you handled your part of the bill in an excellent manner yesterday. You know, it gets difficult at times on some of these requests, and I want you to know that I thought you handled it in an excellent manner.

Mr. CONTE. Thank you, Mr. Chairman. It was a tough day!

Mr. NATCHER. Oh, it was. Go right ahead, Mr. Conte.

Mr. CONTE. Welcome to the subcommittee, Mr. Doyle. You have been doing a good job, and I am glad you are here.

You are the only Inspector General that isn't located in Washington. Does that give you a problem?

Mr. DOYLE. No, not really.

DEPARTMENT OF JUSTICE RULING

Mr. CONTE. Last March, the Department of Justice issued a special ruling that limited the role of the Inspectors General. What is your opinion of that ruling?

Mr. DOYLE. Hopefully the ruling will be changed whereby the powers of the Inspectors General will not be limited insofar as what they can investigate. The President's Council is looking at that right now, and are prepared to support changing that.

Mr. CONTE. When you get the record, why don't you send a little more information on that, keep us up to date on that?

[The information follows:]

DEPARTMENT OF JUSTICE RULING

The Department of Justice ruling from the Office of Legislative Council limits the Labor IG to cases involving federal employees and Federal funds. How does this decision affect you?

Recently, the Office of Legal Counsel (OLC) of the Department of Justice issued an opinion stating that the Inspector General of the Department of Labor had no authority to conduct so-called "regulatory investigations." Instead, the investigative power of the Inspectors General (IGs) was limited to situations involving receipt of Federal dollars of participation by Federal employees. The OLC has since indicated that this prohibition may be applied more broadly than the specific context at the Labor Department to preclude investigation at other Federal agencies.

We are adamantly opposed to this ruling. While the ruling does not affect us presently, it may in the future.

IMPACT OF IG

Mr. CONTE. Over the past few years, what has been the general impact of your office on the Railroad Retirement Board?

Mr. DOYLE. As I mentioned during my presentation, I think from a dollar standpoint, it has been substantial. I think from a standpoint of the Office of Inspector General working with the Board to resolve management issues, I think it continues to get better every year.

I think that working together as a team, a lot of positive changes have come about at the Board.

RECOMMENDED SAVINGS

Mr. CONTE. Based on your audit experience, you said that over $29,000,000 could be saved over the next five years if certain recommendations are implemented. What are you recommending?

Mr. DOYLE. Some of those are bringing into—we have our cost saver handbook, which I would like to submit for the record.

Mr. CONTE. All right.

[The information follows:]

OFFICE OF INSPECTOR GENERAL

COST SAVER AND

REVENUE ENHANCEMENT

GUIDE

William J. Doyle III
Inspector General

September 1989

FOREWORD

The Office of Inspector General Cost Saver and Revenue Enhancement Guide furnishes recommendations for improving the economy and efficiency of the administration of the railroad retirement and unemployment/sickness systems. The purpose of the Guide is to serve as a reference tool for identifying areas for financial improvement. It is intended for use by those individuals who have an interest in the financial integrity of the railroad retirement system -- including the Congress, Administration officials, the Board Members, and other Board managers. This Guide was initially issued in March 1989, and has been amended to include updated monetary and status information as of October 1, 1989.

The Cost Saver and Revenue Enhancement Guide contains summary data from audit reports that will have a significant impact on the financing of railroad retirement systems. We have also included targets of opportunity from reviews that are currently in progress or are scheduled to be undertaken in the future.

We estimate that implementation of all of the recommendations contained in the Cost Saver and Revenue Enhancement Guide could result in $182.5 million in one time savings and $23.1 million annually in recurring savings -- ***without imposing any new taxes on railroad employers or employees***.

All information and estimates included in the Cost Saver and Revenue Enhancement Guide are believed to be true and accurate. However, the information in the Guide is subject to adjustment due to changing circumstances, new information, or revised assumptions.

RAILROAD RETIREMENT BOARD

The Railroad Retirement Board is an independent Agency in the Executive branch of the Federal government, and is not part of any Cabinet level Department or other Agency. Its mission is to provide comprehensive retirement-survivor and unemployment-sickness insurance benefits to railroad workers and their families. In Fiscal Year 1988, the RRB paid almost $7 billion to more than 1 million elderly, disabled, and unemployed individuals. Functionally, the RRB resembles a combination of the Social Security Administration's old-age, survivor, and disability programs, and the States' unemployment programs.

To administer these programs, the RRB has an authorized staff of 1,600 full-time equivalent positions, excluding the Office of Inspector General. The majority of this staff is located in the headquarters office in Chicago. Approximately 430 employees are located in regional, district, branch, and base point offices located throughout the nation.

THE RAILROAD RETIREMENT SYSTEM

The Congress created the railroad retirement system more than 50 years ago with the passage of the Railroad Retirement Act. This Act created a nationwide retirement system for railroad workers that provided income security for them in their old age. Gradual enhancements to the original program have provided income protection for disabled workers, elderly spouses and widow(ers), children, and parents of young children. Since its inception, benefits under the railroad retirement system have been awarded to over 4,700,000 beneficiaries.

In fiscal year 1988, retirement, disability, and survivor benefits totalling $6.7 billion were paid to almost one million beneficiaries. In April 1989, the average annuity paid to retired rail employees was $841 a month, spouse benefits averaged $352 a month, and benefits to aged widow(ers) averaged $518 a month.

The calculation of these benefits is based upon a complex formula that combines social security, industrial pension, and special Federally funded components. These benefits come from four trust funds that are funded by five sources of revenue. In addition, the RRB administers Part B, the physician services aspect of the Medicare program for the Health Care Financing Administration.

Railroad Retirement System: FY 1988 Income

Payroll Taxes	$4,090 M
FI Transfers	2,851 M
Interest	624 M
Gen. Revenues	349 M
Income Taxes	242 M
Other	183 M
Total	$8,339 M

Railroad Retirement System: FY 1988 Outgo

Benefits	$6,676 M
Adm Expense	54 M
Other	362 M
Total	$7,092 M

THE RAILROAD UNEMPLOYMENT SYSTEM

In 1938, a nationwide system of unemployment insurance benefits was added to the basic retirement program. The Railroad Unemployment Insurance Act established a system of benefits for unemployed railroad workers, financed entirely by railroad employers and administered by the RRB. In 1946, sickness insurance benefits were added. Since 1938, the cumulative benefits paid under the Act have totaled $6 billion.

Under the Railroad Unemployment Act, the RRB paid almost $100 million to 90,000 unemployed and sick railroad workers in fiscal year 1988. Benefits were paid at the rate of $300 every two weeks.

Railroad Unemployment System: FY 1988 Income

Contributions	$ 195 M
Interest	12 M
Total	$ 207 M

Railroad Unemployment System: FY 1988 Outgo

Benefits	$100 M
Repay Loans	50 M
Adm Expense	14 M
Other	19 M
Total	$183 M

RECOMMENDATIONS

FOR

COST SAVINGS

AND

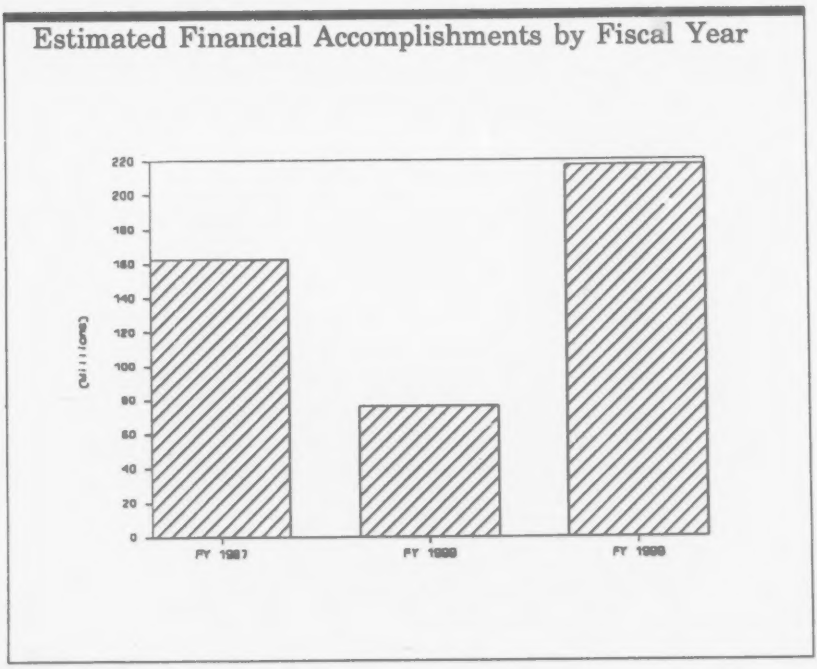
REVENUE

ENHANCEMENTS

HIGHLIGHTS OF OIG ACTIVITIES

The Railroad Retirement Board (RRB) has recently been reviewing and implementing various initiatives to improve and guarantee effective service to the railroad community. The Office of Inspector General has continued its efforts to improve the efficiency of RRB operations by conducting audits of a wide range of RRB operations.

Since January 1986, the Office of Audit has issued 49 audit reports with an estimated financial impact of up to $455.6 million.



During fiscal year 1989, new audit reports have or will have an estimated financial impact of $216.9 million in additional revenues over the next five years. These reports cover issues such as the timeliness and accuracy of benefit payments, debt collection, and adjustments to the Board's trust funds.

One audit recommended the means to prevent discrepancies in benefits paid by the Railroad Retirement Board on behalf of the Social Security Administration, and prevent up to $1.1 million a year in combined overpayments and underpayments, and in the more efficient use of up to $1.4 million a year in personnel costs incurred by the RRB and SSA.

Our review of year-end adjustments to the RRB trust funds by the U.S. Treasury has resulted in the crediting of approximately $95 million to the RRB. We project an additional revenues totalling $72 million will result from our audit efforts in this area.

We have also completed audits of five railroad employers that have yielded approximately $1.2 million in potential tax receipts. These reviews have also identified systemic problems throughout the rail industry. As a result of our findings, recommended legislative and administrative changes could produce significant revenue enhancements in excess of $29 million over the next five years.

The success of our audit programs has been enhanced by the continuing cooperation and assistance that we have received from the managers and employees of the Railroad Retirement Board. Working together, we have made much progress in improving a system that is vitally important to America's railroad workers and their families.

COST SAVER AND REVENUE ENHANCEMENT RECOMMENDATIONS

(Amounts shown in millions)

Recommendation	Annual Savings	Page
Eliminate 95% deposit provision	$ 0.46	8
Accelerate payroll tax deposits	$ 2.23	10
Close loophole by including fringe benefits in RRTA wage base	$ 3.30	12
Account for unrecovered overpayments in the financial interchange	$ 3.20 $ 55.70*	13
Refer delinquent RUIA Section 2(f) accounts to the Department of Justice for collection	$ 0.30*	14
Assess interest and penalties on delinquent RUIA Section 2(f) debts	UND	16
Review certification of SS cases to the RRB	$ 0.70 $ 2.00*	17
Use automated techniques to identify RRB payments to deceased beneficiaries	$ 0.10 $ 1.00*	18
Establish 2(f) accounts receivable for Chicago and North Western Transportation Company	UND	19
Set up computer matching programs with at least 3 more states	$ 0.51	20
Identify missing financial interchange cases	$ 2.40	21

UND Undetermined
* One time savings (Not included in Total Recurring Savings)

COST SAVER AND REVENUE ENHANCEMENT RECOMMENDATIONS

(Amounts shown in millions)

Recommendation	Annual Savings	Page
Review adjustments to the Trust Funds	$ 9.80 $117.70*	22
Perform scheduled monitoring of student annuities	$ 0.20*	24
Deobligate undocumented obligations in "M" Account	$ 3.22*	25
Accelerate recoveries of RRB check reclamations	$ 0.42	26
Recover uncollected Medicare Part B Premiums	$ 0.65*	28
Correct the problem in transferring beneficiary jurisdiction from the RRB to SSA	$ 1.50*	29
Recover overpaid dual railroad retirement benefits	$ 0.22*	30
TOTAL ONE TIME SAVINGS	$182.49	
TOTAL RECURRING SAVINGS	$ 23.12	

UND Undetermined
* One time savings (Not included in Total Recurring Savings)

Mr. DOYLE. It lists about 22 of those. I think one of the main ones is really bringing into line everything with Social Security. For example, there are different tax rules, being followed, for 401(k) plans by the RRB than at Social Security. What we are saying is that these tax plans should conform. You follow the same rules. That way, you would not have to keep looking back and forth, is this railroads or Social Security?

Bringing them in line would save basically millions of dollars in doing that.

YEAR END ADJUSTMENTS

Mr. CONTE. What have your audits revealed about errors in the processing of the year end adjustments to the trust fund?

Mr. DOYLE. They have shown that with any system, a lot of errors are possible. In 1988, in our review of year end adjustments, we came up with basically keypunch errors that resulted in approximately $94,000,000 in money that would have been lost to us, not to mention the interest which I think over the next couple of years would be about $45,000,000.

So, it is things like that that make a difference when we can find those.

FUTURE AUDITS

Mr. CONTE. Do you have any other audits planned in the near future?

Mr. DOYLE. Yes.

[The following additional information was provided for the record:]

We are planning to focus our resources on reviews which will have a significant impact on the trust funds. We will continue to monitor the yearend adjustments to the trust funds. We will also audit the large balance of tax collections which remain un-invested at the end of each month, analyze the program which is used to credit income tax collections to the trust funds, and verify the total amount of employment taxes credited to the trust funds based on tax collection data. In addition, we will continue to perform payroll audits of the railroad employers as employment taxes are the primary source of funding for the trust funds.

COMPUTER MATCHES

Mr. CONTE. To what extent do you use computer matches and what do they uncover?

Mr. DOYLE. We use computer matches in basically the investigative area to uncover fraud. We will use, for example, on death matches, people still receiving benefits that are deceased. We have it in the disability program. We use computer matches. It is a cost-effective tool for us to uncover potential areas of fraud.

Mr. CONTE. One of the giant steps forward in discovering fraud was the computer.

Mr. DOYLE. It certainly has been of great benefit to the Board in general and the OIG in particular.

Mr. CONTE. In addition to using the computer match technique, what else are you doing to develop new cases?

Mr. DOYLE. Well, we are working with other Federal agencies that have similar type programs such as HHS. We will begin talking with VA because of benefit programs that they have.

Talking with Federal agencies, working a little harder with our own staff internally, and working with different offices within the Board to encourage them—will help develop new cases.

Mr. CONTE. The Inspector General at HHS?

Mr. DOYLE. We work very closely——

Mr. CONTE. Dick Kusserow is a crackerjack.

Mr. DOYLE. He probably is the best.

TREASURY AND IRS

Mr. CONTE. One of my favorites, along with you!

Please describe the relationship between your office and the Treasury Department and the IRS?

Mr. DOYLE. We are kind of in a growing state, if you will, with IRS in terms of developing memorandums of understanding, in terms of in the past, IRS would never accept audits that were done by anyone other than IRS, and where we are doing audits, for example, of the employment taxes now, IRS has given us permission, so to speak, for those to be accepted.

In the past, if we had taken one of our audits and said a railroad owes us x amount of money, IRS would not accept that. They would have to go out and do their own audit and then assess interest and penalties.

So, I think we are in a very challenging time, because there are a lot of sensitive areas with tax information that IRS is very skittish about allowing other Federal agencies to become involved. But because of the nature of what we do, we already collect taxes on unemployment.

One of the things that we are recommending that would maybe give the record even more control over taxes and not losing money is that we collect taxes ourselves. We already do it. We have some experience. It would be a gigantic effort, but we also might be able to account for our funds more accurately.

It is something that we have written a note to the Board about, and something we hope that will be considered in the future. So, to summarize with IRS, there is an awful lot going on right now with them. They are being very cooperative and hopefully, that will continue.

MEDICARE

Mr. CONTE. What did your review of the medicare claim processing done by the Travelers reveal about the accuracy and the timeliness of their claim processing?

Mr. DOYLE. One out of four studies show that they had a very, very high accuracy rate. I think it was in the 98 percent range, which is very high.

Mr. CONTE. You are also reviewing the Board's oversight of the Railroad medicare carrier. What have you concluded about their oversight?

Mr. DOYLE. We have no conclusions yet on this, but that is one that we are looking at from a very comprehensive standpoint.

Mr. CONTE. How many indictments and convictions did you have in fiscal year 1990?

Mr. DOYLE. In 1990, I think we had about 53 indictments and 43 convictions for 1990. We expect, through 1991, to have probably between 150 and 175.

Mr. CONTE. Mr. Chairman, I have a couple more questions to submit.

Mr. NATCHER. Fine.

Mr. Doyle, we appreciate your appearance before us. It has been a good hearing. Thank you.

[Questions for the record and the justifications follow:]

Questions for the Record

Mr. Natcher: What was your original 1991 request to the Office of Management and Budget for administrative expenses, and how does that compare to your current request in the President's Budget?

Mr. Doyle: Our original request for Fiscal Year 1991 was for $7.326 million and 119 Full Time Equivalent (FTE) Employees. The President's Budget supported our original 1991 request in full.

Additionally, funding of $300,000, above our request, was provided for examination of the Railroad Retirement Board's utilization of staff workyears. Additional funding of $72,000 was also provided to partially off-set the January 1991 proposed pay raises. We fully support the Administration's budget of $7.698 million as provided.

Mr. Natcher: List in priority order, the items included in your original 1991 request to OMB for administration which were subsequently excluded from the current request in the President's Budget.

Mr. Doyle: The President's Budget fully supported the Office of Inspector General's original budget request with no exclusions. The request was, in fact, increased by $372,000 by the administration in order to support a staffing study and to partially fund pay raises.

Mr. Natcher: List in priority order, the staffing and funding increases in your current 1991 request.

Mr. Doyle:

Obligation by Object Class		Funding Increase
Personnel Compensation		$1,948,000
Personnel Benefits		573,000
Travel and Transportation of Things		556,000
Other Miscellaneous Services		
Training	62,000	
Contracts	484,544	
Other	61,456	608,000
Communications and Printing		19,000
Supplies and Equipment		91,000
	TOTAL	$3,795,000

Staffing Increases

Office of Audit, Office of Investigations
Office of Inspections and Analysis

Mr. Dwyer: Last year, the Railroad Retirement Board testified that they had a backlog of over 200,000 cases. It is my understanding that all these cases are in payment status -- some being overpaid, others underpaid.

What role does the Office of the Inspector General play in reducing this backlog?

Mr. Doyle: We are currently performing an in-depth review in this area in an attempt to determine the causes of the backlog. In the next few months, we will provide the Railroad Retirement Board with recommendations for corrective action to assist in solving the backlog problems.

Mr. Dwyer: What percentage of these claims are being overpaid? What is the impact of overpaid claims on the trust funds?

Mr. Doyle: Based on the management information reports provided by the Board, we estimate that approximately 20% of the backlog cases are overpayments with a financial impact of $20 million.

Mr. Dwyer: When a claim is determined to have been overpaid, how do you insure that the money is repaid without causing undue hardship to the beneficiary?

Mr. Doyle: Through our audits, we monitor Railroad Retirement Board overpayment reviews and debt collection activities in order to attempt to ensure recovery actions do not create financial hardships for beneficiaries.

Mr. Dwyer: The Office of Investigations has reported a marked increase in its caseload since fiscal year 1989.

To what do you attribute increases of over 300%?

Mr. Doyle: Our increased caseload is directly attributable to aggressive investigative efforts in the areas of medicare, disability and unemployment fraud. Coordination with the Department of Health and Human Services-Office of Inspector General has generated numerous fraud cases. The Railroad Retirement Board has also contributed greatly to this effort referring over 50% of our present inventory of cases.

Mr. Dwyer: Do you believe that the incidence of fraud is actually increasing, or that the Office of Investigations is just doing a better job than in previous years?

Mr. Doyle: We have not yet been able to create a credible deterrent against fraud; therefore, the incidence of fraud is, at best, remaining steady. We are doing a better job of ferreting fraud matters and our increasing caseload is a direct result of this effort. It is expected that over the next 2 to 4 years, there will continue to be a substantial increase in the number of criminal cases under investigation.

Mr. Dwyer: Your budget justification states that your sixteen special agents have caseloads of 128 cases each. Do you believe that the investigators will be able to maintain their conviction rate with such a heavy caseload?

Mr. Doyle: Our investigators will be able to maintain a high conviction rate even though they are assigned a heavy caseload. Investigations are prioritized as to the importance and financial impact. This office also encourages joint investigative efforts with other Inspectors General, the U.S. Secret Service, etc. in order to maximize scarce resources.

Mr. Dwyer: Is this caseload comparable to the caseload in other Offices of the Inspector General?

Mr. Doyle: Our investigative caseload is generally higher than those in other Offices of Inspector General.

Mr. Conte: For FY 91 you are requesting $608 thousand for other services. One of the items in this increase is a $300 thousand dollar study mandated by OMB. What do you hope to uncover?

Mr. Doyle: The Office of Management and Budget has provided this funding to allow the Office of Inspector General to examine the Railroad Retirement Board's utilization of staff workyears and thereafter make appropriate recommendations.

Mr. Conte: Does your present staffing level limit your ability to investigate waste, fraud and abuse?

Mr. Doyle: The present staffing level of 30 Full Time Equivalent Employees (FTE) definitely limits the Office of Investigation's (OI) ability to effectively and fully carry out the mandate of Congress to provide comprehensive investigative oversight of Board programs. Sixteen Special Agents now handle a caseload of over 2,800 cases. Some of these cases, such as Medicare, disability and internal investigations, are of a complex and thus time-consuming

nature. Many OI cases require OI Special Agents to travel extensively throughout the United States. From the Chicago Headquarters, OI Special Agents conduct investigations in nearly all 50 states. The vastly increased caseload (and the certain potential of additional increases), OI's involvement in more complex investigations, and the extensive geographical coverage all strongly indicate an increase in the FTE level is warranted.

Mr. Conte: How did you determine that you needed exactly 45 more FTEs?

Mr. Doyle: This determination was based on a very realistic appraisal of the scope of our audit and investigative responsibilities and our current workload.

Increased staffing will enable us to handle the increasing investigative caseload and expand our audit coverage of major railroad employers, the Medicare program and other priority areas identified in our audit universe.

Office of Inspector General efforts will be heightened in the following areas:

- Potential fraud problems, including health care investigations and the Medicare program that pays out over $650 million in benefits to over 800,000 beneficiaries;

- Trust fund integrity,

- Railroad tax compliance audits,

- Collection efforts of outstanding receivables that total over $58 million,

- Mass adjustment backlogs of retirement and survivor annuities,

- Taxation programs, and

- The solvency of the Railroad Retirement Board trust funds.

Mr. Conte: If you don't receive your full budget request, what activities would have to be curtailed?

Mr. Doyle: In order to satisfy my Congressional mandate to provide independent oversight of the Railroad Retirement Board, I believe that it is necessary to maintain an audit and investigative program that covers all of the

Railroad Retirement Board's programs and operations. If less than the full amount of the request were to be approved, we would reduce the scope of our audits and investigations, but not alter any of our basic priorities.

Mr. Conte: You are requesting $89 thousand for equipment. How many workstations will this buy?

Mr. Doyle: Of this amount, $56,000 will be utilized to construct 20 additional workstations.

Mr. Conte: The Board is requesting $9.8 million for a new main frame computer. Would that be a prudent purchase?

Mr. Doyle: The Railroad Retirement Board's FY 1991 Justification of Budget Estimates, in the section, Justification of Estimates-Limitation on Administration, Proposed Appropriation Language, includes in part (3) "certification of the Railroad Retirement Board Inspector General that the Railroad Retirement Board has completed the preceding requirements; of which $200,000 shall be available to assist the Railroad Retirement Board in completing their capacity management study...."

The Railroad Retirement Board has contracted with the Federal Systems Integration and Management Center to review the methodology and assumptions used in the Board's computer sizing study.

The Office of Management and Budget (OMB) is presently on site at the Railroad Retirement Board (RRB) conducting a management review which includes as part of its study, the new main frame computer.

The Federal Systems Integration and Management Center's review is scheduled for completion at the end of April, 1990. It would seem that both reviews must be studied prior to any decision being made to go forward with the RRB main frame computer; also, this office cannot certify that the requirements for a capacity management study and requirements analysis has been made prior to the issuance of the Federal Systems Integration and Management Center's report. The OMB study has not been concluded. This office then, does not have the capability at this time to determine if the computer purchase is prudent.

Mr. Conte: Over the years, how has the relationship between your office and the Board changed?

Mr. Doyle: As I testified, the Railroad Retirement Board and offices within the Board, especially the Offices of Retirement Claims, Unemployment and Sickness Insurance,

and Field Service are very attentive in bringing audit and investigative issues to our attention for resolution and consideration.

The Railroad Retirement Board continues to work closely with us in identifying management issues seeking solutions to improve the overall operations of the Board.

U.S. RAILROAD RETIREMENT BOARD

JUSTIFICATION OF BUDGET ESTIMATES

OFFICE OF INSPECTOR GENERAL

FISCAL YEAR 1991

TABLE OF CONTENTS

	Page No.
PROPOSED APPROPRIATION LANGUAGE	1
EXPLANATION OF PROPOSED APPROPRIATION LANGUAGE	2
AUTHORIZING LEGISLATION	3
PROGRAM BY ACTIVITY	4
OBLIGATION TABLE	4
FINANCING	5
EXPLANATION FOR CHANGES BETWEEN THE 1991 AND 1990 BUDGETS	6
EXPLANATION OF 1991 REQUEST	8
SUMMARY OF PERMANENT POSITIONS	26

JUSTIFICATION OF ESTIMATES

OFFICE OF INSPECTOR GENERAL

Proposed Appropriation Language

Limitation On [Review Activity] *The Office of Inspector General*

For expenses necessary for the [Railroad Retirement Board] *Office of Inspector General* for audit, investigatory and review activities, as authorized by section 418 of Public Law 98-76, and the Inspector General Act of 1978, as amended by Public Law 100-504, not more than [$3,950,000] *$7,698,000,* to be derived from the railroad retirement accounts and railroad unemployment insurance account, *of which $300,000 shall be available only for examination of the Railroad Retirement Board's utilization of staff workyears.*

Explanation of Proposed Appropriation Language

Appropriation Language	Explanation
For expenses necessary for the Railroad Retirement Board for audit, investigatory and review activities...	This budget is for funds for audits, investigations and review activities by the Office of Inspector General.
...as authorized by section 418 of Public Law 98-76...	Section 418 of the Railroad Retirement Solvency Act of 1983, Public Law 98-76, authorized an Office of Inspector General for the RRB.*
...not more than $7,698,000, to be derived from the railroad retirement accounts and railroad unemployment insurance account.	These funds for the Office of Inspector General are to be transferred from amounts in the Railroad Retirement Account, the Railroad Unemployment Insurance Account, the Railroad Social Security Equivalent Benefit Account and the Railroad Retirement Supplemental Account.

*This provision will be repealed 180 days after enactment of the Inspector General Act Amendments of 1988 (P.L.100-504). Enactment of the 1988 Amendments took effect on October 18, 1988.

Authorizing Legislation

Legislation	1991 Authorized	1991 Appropriation Requested
Inspector General Act of 1978, as amended.	Indefinite	$7,698,000

OFFICE OF INSPECTOR GENERAL

Program by Activity, Obligation Table, and Personnel Summary
(In Thousands)

	Fiscal Year 1990 estimate		Fiscal Year 1991 estimate		Increase or (Decrease)	
	FTES	Amount($)	FTES	Amount($)	FTES	Amount($)
Program by Activity						
Office of Inspector General	74	3,903,000	119	7,698,000	45	3,795,000
Obligation by Object Class						
Personnel compensation:						
Full-time permanent		2,440,000		4,286,000		1,846,000
Other than full-time permanent		0		8,000		8,000
Other personnel compensation		185,000		279,000		94,000
Total personnel compensation		2,625,000		4,573,000		1,948,000
Personnel benefits: civilian personnel		566,000		1,116,000		550,000
Benefits for former personnel		0		23,000		23,000
Travel and transportation of persons		390,000		917,000		527,000
Transportation of things		2,000		31,000		29,000
Communications, utilities, and miscellaneous charges		19,000		30,000		11,000
Printing and reproduction		5,000		13,000		8,000
Other services		196,000		802,000		608,000
Supplies and materials		42,000		44,000		2,000
Equipment		60,000		149,000		89,000
Total obligations		3,903,000		7,698,000		3,795,000

1976

Financing

	Fiscal year 1990 estimate	Fiscal year 1991 estimate
Financing		
Operations (total obligations)	$3,903,000	$7,698,000
Unobligated balance lapsing	----------	----------
Limitation	3,903,000	7,698,000
Relation of obligations to outlays		
Obligations incurred, net	3,903,000	7,698,000
Obligated balance, start of year	472,000	472,000
Obligated balance, end of year	- 472,000	- 472,000
Outlays from limitation	3,903,000	7,698,000

Explanation for Changes Between the 1991 and 1990 Budgets

		Change ($000)
Increases (Decreases):		
1.	**Personnel compensation: full time permanent** One-half of proposed 3.5% pay raise effective January 1991 for 74 FTEs plus cost of 45 additional FTEs.	1,846
2.	**Personnel compensation: other than full-time permanent** Cost for one part-time clerical position.	8
3.	**Personnel compensation: other personnel compensation** Increase in cost associated with incentive and special service awards applicable to a staff of 119 FTEs. Increase in overtime costs due to increased staff.	94
4.	**Personnel benefits: civilian personnel** Cost increase for employer's share of benefits for 45 additional FTEs and the higher costs associated with law enforcement personnel 20-year retirement system. Due to the recruitment of college graduates and non-government personnel, by Fiscal Year 1991 projections show that 29% of total staff will be covered under the CSRS Retirement plan and 71% covered under the FERS and FERS Law Enforcement Plans.	550
5.	**Benefits for former personnel** Unemployment cost estimate, calculated for six former employees.	23
6.	**Travel and transportation of persons** Continuation of the travel associated with a nationwide investigative program. Travel associated with auditing railroad earnings statements, together with the accuracy and timeliness of unemployment tax contributions paid to the RRB. Also included are travel costs associated with the training needed to meet the continuing education requirements for auditors and investigators.	527

		Change ($000s)
7.	**Transportation of things** Cost of four change of station moves.	29
8.	**Communications** Increased cost for monthly copy machine leases and monthly communications expenses for mobile telephones.	11
9.	**Printing and reproduction** Cost to print Office of Inspector General (OIG) reports as mandated by Congress.	8
10.	**Other services** Costs associated with 45 additional FTEs including full background investigations reports and medical exams for law enforcement personnel. Training needs to meet the continuing education requirements for auditors and investigators, including on-site group training courses with qualified audit and investigative instructors. In addition to contracts for Medicare and Management Studies, $300,000 has been mandated for funding to be used for examination of the Railroad Retirement Board's utilization of staff workyears.	608
11.	**Supplies and materials** Supplies will include up-dates and additional software to fully utilize the computer equipment purchased in prior fiscal years.	2
12.	**Equipment** The equipment fund increase reflects the necessary expenses projected for computer "network" requirements and related computers and printers to meet the needs of current and additional staff. This account also includes furniture workstations for the additional staff.	89
	TOTAL INCREASES	**3,795**

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OFFICE OF THE INSPECTOR GENERAL

RAILROAD RETIREMENT BOARD

Explanation of Fiscal Year 1991 Request

The Office of Inspector General (OIG) U.S. Railroad Retirement Board (RRB) was established in January 1986. Using the independence ensured by the Inspector General Act, we have taken on the responsibility to provide audit and investigative coverage of the RRB -- an agency with $23 billion in annual cash flows and the responsibility for providing Federal social insurance protection for America's railroad workers and their families. By the close of December 1989, our efforts resulted in $410.1 million in actual and potential monetary benefits and 148 convictions. These results are equivalent to an annual payback of $2.56 million per employee. Overall, we have made major contributions towards improving the economy and effectiveness of RRB operations.

The OIG is requesting $7,698,000 to support its audit and investigative mandate for fiscal year 1991. This request will support 119 FTEs and allow the OIG to continue efforts toward creating a powerful deterrent against those who would defraud its programs.

During FY 89 and the first quarter of FY 90, the OIG has achieved impressive results while carrying out its Congressionally-mandated responsibilities. These accomplishments literally brought millions of dollars back to the RRB. Some of our most noteworthy accomplishments during the period October 1, 1988 through December 31, 1989 are as follows:

- 66 indictments, 82 convictions, $1,936,344 in fines, savings and recoveries, and 485 referrals;
- Issuance of 38 audit reports with potential financial accomplishments of $168 million;
- Agreement with the Social Security Administration for a transfer of approximately $350 million from SSA to the RRB, resulting from an OIG audit of the financial interchange between the two agencies;
- Identification of major legislative, administrative, and non-compliance issues concerning railroad employers, including widespread non-compliance with the Board's reporting requirements for compensation under both the Railroad Retirement Act (RRA) and the Railroad Unemployment Insurance Act (RUIA);
- Increase in Hotline calls from 410 to 3,079 that reported suspected fraud, waste and abuse in RRB programs and operations; and,

- o Processing of 12 cases, involving sickness and unemployment insurance fraud, under the Program Fraud Civil Remedies Act.

In FY 90, we were authorized to increase our staff from 55 to 74, which equates to an average oversight responsibility per staff member of about $311 million. Increasing our staff to the requested 119 positions would reduce this oversight responsibility to about $193 million per staff member.

The RRB administers a very complex and comprehensive series of interlocking benefit programs for the nation's railroad workers and their families. Those who are familiar with both activities believe that the RRB programs are more complex than those administered by the Social Security Administration. Under the Railroad Retirement Act, the RRB pays $7 billion in retirement, survivor and disability benefits each year. The calculation of these benefits is based on a complex formula that combines Social Security, private industry pensions and special Federally-funded components. These benefits come from four trust funds that are funded by five sources of revenue. In addition, the RRB administers certain aspects of the Medicare program under the Social Security Act for the Health Care Financing Administration. Under the Railroad Unemployment Insurance Act, during the benefit year ended June 1989, the RRB also paid approximately $60.8 million in unemployment insurance benefits and $32.1 million in sickness insurance benefits.

We need to increase OIG efforts in the following areas:

- -- Potential fraud problems, including health care investigations and the Medicare program that pays out over $650 million in benefits to over 800,000 beneficiaries,
- -- Trust fund integrity,
- -- Railroad tax compliance audits,
- -- Collection efforts of outstanding receivables that total over $58 million,
- -- Mass adjustment backlogs on the retirement and survivor annuities,
- -- Taxation programs, and
- -- The solvency of RRB trust funds.

Congress established the Office of Inspector General at the RRB to provide independent oversight of its administrative and programmatic operations. The office is currently organized into two major components: the Office of Audit and the Office of Investigations. In FY 91, the OIG will establish a third component, the Office of Analysis and Inspections.

OFFICE OF AUDIT

The mission of the Office of Audit is to: (1) promote economy, efficiency, and effectiveness in the administration of RRB programs, and (2) detect and prevent fraud and abuse in such programs. Through the Inspector General, the Office of Audit keeps the Board Members and the Congress fully and currently informed about problems and deficiencies in RRB programs and actions taken to correct them. As of December 1989, the Office of Audit had issued recommendations for corrective actions with actual and potential monetary benefits of $406.7 million as follows:

Financial Accomplishments by Fiscal Year

FY 1987	$162.4 million
FY 1988	$ 76.3 million
FY 1989	$147.8 million
FY 1990*	$ 20.2 million

*Includes first quarter only

In FY 91, we plan to: increase our audit coverage of the Class I railroad employers, examine the adequacy of internal controls of major functions of the RRB, including compliance with OMB Circular A-123, evaluate debt collection activities, and review the payment of Medicare Part B claims as well as the identification of Medicare program fraud and abuse.

AUDIT STRATEGY FOR FY 91

In FY 91, the Office of Audit will concentrate its efforts in the following areas:

- Expansion of the audit coverage of the largest railroads, through the audit of the accuracy of payroll taxes paid by these employers and the identification of systemic problems that require legislative or administrative change -- we expect future reviews will continue to result in significant additional tax receipts and detect areas of non-compliance;

- Review of major areas involving accurate and timely credits to RRB trust funds - our audits to date have resulted in approximately $110 million being returned to the trust funds. In order to ensure the integrity of the trust funds, we will also continue to monitor year-end adjustments, current investment practices and tax collection by the Internal Revenue Service on behalf of the RRB;

- Assessment of the policies and procedures of the RRB in the area of debt collection to ensure prompt repayment of funds owed to the Agency - accounts receivable for the RRB totalled $58 million in September 1989. An audit revealed that approximately $300,000 in recoverables may need to be established as accounts receivable for one railroad employer. In addition, a significant number of potential unemployment fraud cases uncovered during audits have been referred to the Office of Investigations;

- Expansion of our reviews of the RRB's Medicare Part B carrier's claim payment system -- we will continue to perform specialized reviews to identify program fraud and abuse, and to identify weaknesses in the system which allow the fraud and abuse to remain undetected.

- Backlogs of mass adjustment actions on retirement and survivor annuities; these adjustments currently have a monetary impact of approximately $55 million. We will determine the effect of the backlogs on beneficiaries and recommend ways to alleviate current problems;

- Evaluation of current internal controls in ADP systems to determine the accuracy of the RRB's internal control program -- we will also assess the agency's compliance with OMB Circular A-123;

- Review of the weaknesses of the agency's taxation programs -- we will make recommendations to improve the accuracy and timeliness of tax statements to the railroad retirement community; and,

- Seek ways to validate the RRB's valuation assumptions concerning the solvency of the trust funds.

PRIORITY AUDIT AREAS

A brief explanation of our priority areas and the expected activity in each area during FY 91 follows.

Railroad Audits

We plan to complete 34 railroad audits, including all 18 Class I railroads by the end of FY 91. We will continue to audit the timeliness and accuracy of payroll taxes relating to railroad employers. We will also continue our efforts to identify systemic non-compliance problems throughout the railroad industry and recommend legislative and administrative changes where necessary.

Fiscal Year 1989 was the first full year of our program to review the accuracy of payroll taxes paid by the railroad employers. To date, we have completed audits of 8 employers. These audits have resulted in approximately $1.1 million in additional tax receipts. Additional staff is critical because the statute of limitations only allows the review of tax returns for the three most recent years. For this reason, we plan to schedule recurring reviews of the Class I railroad employers. We have identified major issues such as deferred compensation and group life insurance plans provided by many employers that were not included in taxable compensation under the Railroad Retirement Tax Act. We also recommended changes to accelerate the payroll tax deposits made by large railroad employers. Legislative changes that address these areas were recently signed into law as part of the Deficit Reduction Act. These changes will result in over $5.4 million a year in additional tax receipts for the RRB trust funds.

Medicare Reviews

In FY 89, the Office of Audit began its audit coverage of the RRB's Medicare Part B Carrier, The Travelers Insurance Company. OA is coordinating its efforts with the Office of Investigations and the Department of Health and Human Services. We are currently implementing an ongoing Medicare program integrity function to identify potential program abuses and to perform analysis of proposed legislation. Our Medicare staff is being supported by expert consultants in the health care insurance industry. These consultants are presently reviewing the implementation of Medicare Secondary Payer provisions by the carrier, the utilization review program used by the carrier, and the coordination of benefits to ensure that Medicare is not paying for claims for which third party insurance programs are responsible.

Internal Controls

To ensure RRB compliance with the Federal Managers' Financial Integrity Act and OMB Circulars A-123 and A-127, we will continue our evaluations of RRB's internal control systems. We will review risk assessments, internal control evaluations, and supporting documentation to determine if all are performed in accordance with applicable rules and regulations.

We will also review new computer systems including the components of the RRB's Initial Claims System and Employee Data Maintenance System to identify potential system problems and weaknesses as well as the adequacy of internal controls for each system.

Debt Collection

In the area of debt collection, we plan to evaluate the current debt collection procedures in the major functional areas of the RRB. We will conduct an extensive review of the RRB's new program accounts receivable system (PARS), one year after implementation, to evaluate its effectiveness. We will also review how the internal operating procedures of the Bureau of Unemployment and Sickness Insurance and the Bureau of Retirement Claims interact with the new system.

Integrity of the Trust Funds

To ensure that the RRB trust funds receive accurate and timely credits, we will continue to monitor year-end adjustments by the U.S. Treasury with the RRB's Bureau of Fiscal Operations. We also plan more detailed reviews on the processing of RRB taxes by the Internal Revenue Service and the U.S. Treasury.

Financial Interchange

We will continue to review the financial interchange - the annual funds transfer between the Social Security Administration, the Health Care Financing Administration, and the RRB. Previous audits have identified computational errors that resulted in significant monetary recoveries for the RRB.

ORGANIZATION OF THE OFFICE OF AUDIT

The Office of Audit currently has a staff of 31 professionals and two support positions. The Assistant Inspector General for Audit (AIGA) has 4 staff members assigned the responsibility for ensuring quality assurance oversight of the audit programs, follow-up on open audit recommendations, liaison with the President's Council on Integrity and Efficiency, and administrative and clerical support to the AIGA.

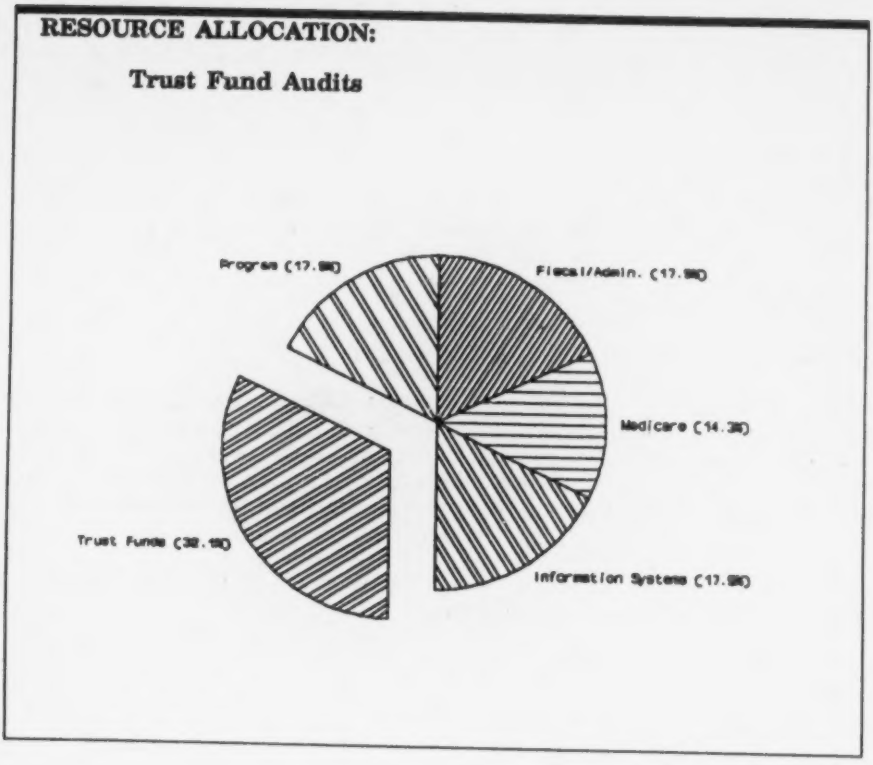
OA is divided into five operating divisions corresponding to the main functional areas of the RRB. These are the following:

- Trust Fund Audits
- Program Audits
- Fiscal and Administrative Audits
- Medicare Audits
- Information System Audits and Technical Assistance

The following sections describe the responsibilities and relative resource allocations of OA's major operating divisions.

TRUST FUND AUDIT DIVISION

This division is responsible for auditing the revenue side of RRB activities. In carrying out its assigned functions, the RRB must make frequent contact with the Social Security Administration, the Treasury and the Internal Revenue Service. It coordinates its activities with the Inspector General of Treasury to help ensure that the RRB receives proper credit for the funds deposited to its accounts. It also works closely with the IRS on matters concerning the CT-1 Tax Returns and related employer tax accounts. Nine staff members (32%) are assigned to this division.

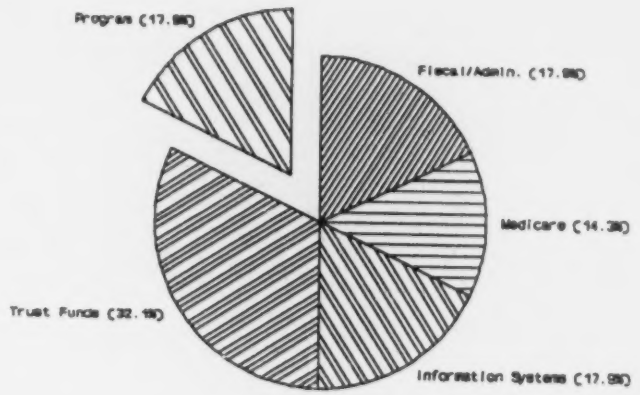


PROGRAM AUDIT DIVISION

This division has primary responsibility for auditing the operations of the following bureaus: Retirement Claims, Unemployment and Sickness Insurance, Hearings and Appeals, Research and Analysis, the Actuary, and Compensation and Certification. These bureaus are involved with or are otherwise responsible for carrying out most of the programmatic responsibilities of the RRB. Five auditors (18%) are assigned to the Program Audit Division.

RESOURCE ALLOCATION:

Program Audits

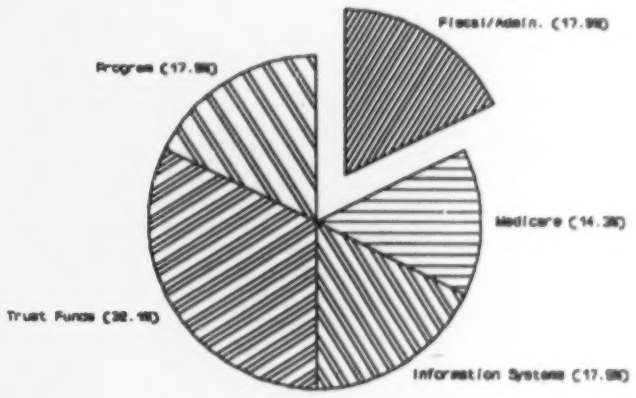


FISCAL AND ADMINISTRATIVE AUDIT DIVISION

This division is primarily responsible for auditing the activities of the following bureaus: Fiscal Operations, Personnel, Supply and Services, and Field Service. It places emphasis on overall financial accounting and reporting and on administrative services. Five members (18%) of the audit staff are assigned to this division.

RESOURCE ALLOCATION:

Fiscal and Administrative Audits

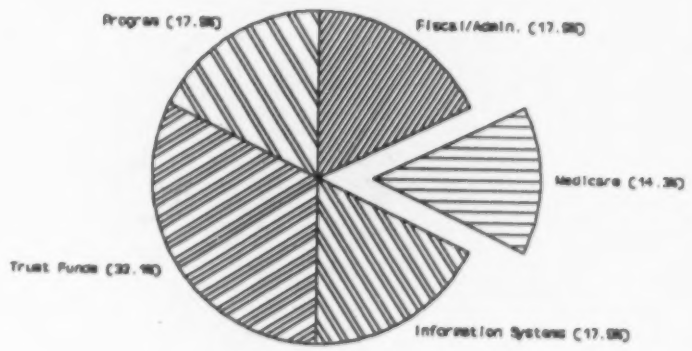


MEDICARE AUDIT DIVISION

This division is responsible for the performance of specialized reviews of the Railroad Retirement Board's Medicare Part B Carrier. It must identify potential abuses and weaknesses in the claims processing system. This group maintains an ongoing Medicare program integrity function that includes reviewing utilization reports to identify trends which may indicate potential program abuses, performing detailed analysis of claims for selected medical procedures, and reviewing proposed legislation. Four auditors (14%) are assigned to this division.

RESOURCE ALLOCATION:

Medicare Audits

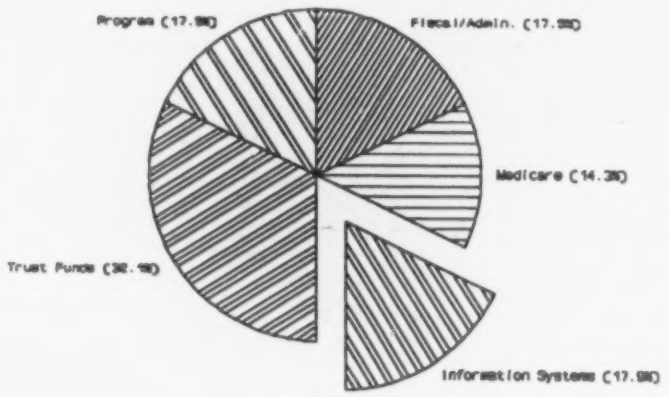


INFORMATION SYSTEM AUDITS AND TECHNICAL ASSISTANCE

This division is primarily responsible for auditing the general and application controls in ADP systems and for providing technical assistance to the other audit divisions in such areas as computer matching, statistical sampling, and advanced computerized audit techniques. It is also responsible for the review of the RRB's implementation of OMB Circular A-123. Five staff members (18%) are assigned to this division.

RESOURCE ALLOCATION:

Information System Audits and Technical Support



OFFICE OF INVESTIGATIONS

The Office of Investigations (OI) directs its efforts to the identification, investigation and presentation of cases for prosecution of individuals who defraud RRB benefit programs. These programs include benefits for sickness, unemployment, disability, Medicare or retirement benefits. The OI's ongoing goal is to find new ways to promote economy, efficiency and effectiveness throughout RRB operations. OI personnel also identify, review and evaluate program vulnerabilities and suggest improvements to reduce fraud, waste and abuse.

The primary mission of the Office of Investigations is to investigate violations of laws over which it has jurisdiction and to provide accurate and timely information to the Railroad Retirement Board concerning methods to prevent fraud, waste and abuse. The major goal for OI in FY 91 is to counter the trend of increasing investigative backlogs and to begin to provide a credible deterrent in Medicare fraud and other white collar crime cases.

The Office of Investigations' response to governmental fraud - white collar crime continues to be immediate, aggressive, professional, and thorough. The focus of our investigations is to resolve whether or not fraud allegations are substantiated with evidence. Due regard is given to the reputation and integrity of all individuals under investigation for criminal conduct.

Investigative Operations

The Office of Investigations' operations during the past 15 months shows that FY 89 was a growth year in all statistical categories. Investigative efforts in the first three months of FY 90 also show a tremendous increase in caseload and U.S. Attorney Office referrals.

During the past 15 months (FY 89 and the first quarter FY 90), the investigative caseload has increased from 626 to 2,044, an increase of 327%. OI now is investigating 42 Medicare, 41 disability, 243 retirement, 1,253 unemployment and 465 sickness and miscellaneous cases. A new Medicare unit has been formed to attack the complex problems associated with health care and disability investigations as well as internal investigations. Joint investigative efforts with the Department of Health and Human Services (DHHS), Office of Inspector General are taking place in Illinois, Ohio, Colorado, California and Florida. Reviews of over 400 health care providers are ongoing with DHHS and the Travelers Insurance Company and may yield a significant number of new health care investigations.

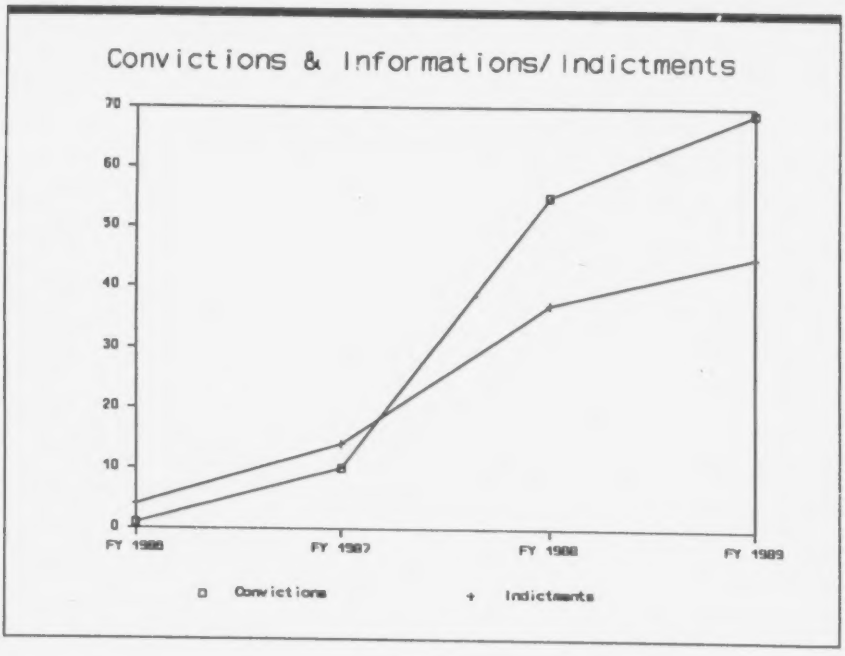
The formation of an additional unit to handle the increased caseload of unemployment and sickness fraud matters is presently under study. It is noteworthy that the open investigations being handled by the one unemployment fraud unit continue to place an inordinate burden on the case agents. The average case inventory has risen to over 100 investigative matters per agent. Also, there are presently about 1,000 unemployment and sickness matters under further review. OI's total inventory is projected at over 3,000 cases for FY 91.

Based upon our prior years' investigative experience, we note that the subjects of our investigations vary both in age and background. Subjects of health care cases are doctors, medical equipment suppliers and other health care practitioners who seek to defraud RRB programs. Subjects in unemployment, sickness and retirement cases are generally young to middle-age and prey on RRB trust funds. Fifteen to twenty percent of the subjects have arrest/conviction records (per FBI records) for various felony charges. It is apparent that many OI subjects are, therefore, dangerous and constitute a serious law enforcement problem.

The criminal cases presently being investigated by the Office of Investigations represent a potential loss to the Railroad Retirement Board trust funds and the U.S. Government of approximately $15,000,000. The dollar amount involved in fraud matters has increased by one-third since last year when the total dollar amount of fraud being investigated was about $10 million. Clearly, OI does not yet have the staff resources to present a truly credible deterrent to RRB program related fraud. This is evidenced by the growing caseload and the increase in projected dollar loss.

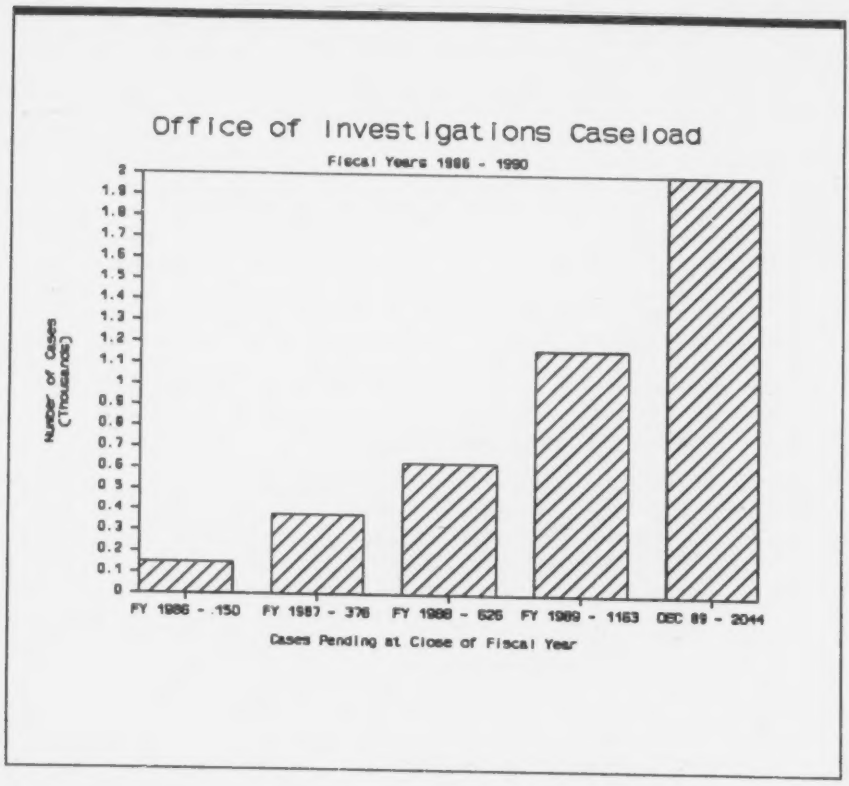
Investigative Results

OI commenced full scale operations in FY 86, and at that time was designated a Federal criminal justice law enforcement agency. As staffing has increased from 2 staff members to the current level of 26, OI has achieved substantial results.



Caseload

OI's present inventory of investigations for 16 Special Agents results in an average caseload of 128 cases per investigator. This condition reduces the potential deterrent effect of OI efforts. The caseload continues to grow at a rate that will clearly be difficult to manage with current staffing. Approximately one-half of current cases are backlogged and may not be investigated promptly due to the shortage of special agents. The caseload is expected to increase again in FY 91 because of OI's aggressive approach in developing Medicare, disability retirement, unemployment and sickness cases.



To make the best possible use of OI resources, cases are often worked jointly with the U.S. Secret Service, the Federal Bureau of Investigation, the Internal Revenue Service and other Offices of the Inspector General. This liaison has contributed to providing the OI a stronger and improved profile in the general law enforcement community and also allows us to maintain a high rate of convictions.

Because OI investigations are spread across the United States, travel by OI investigators is an integral part of our daily operations. Currently, OI criminal cases are being investigated in 49 states. There are over 473 pending investigative matters assigned in the States of Illinois, Pennsylvania and Texas. OI investigations, therefore, involve a significant amount of travel and investigative time.

Investigative Priorities

Our highest priority for FY 91 will continue to be the identification and investigation of fraud and abuse in the health care, disability and retirement programs. Fraud will be identified through conventional means -- allegations made by third parties and RRB program evaluations -- and through sophisticated computer matching techniques.

The OI has obtained a list of suspect Medicare practitioners and suppliers from the Office of Inspector General, DHHS. This has given OI a solid starting point for our investigative efforts, as well as complementing the efforts of those agencies already involved in combating waste, fraud and abuse in the health care field. The scope, cost and complexity of the RRB's health care programs, in conjunction with The Travelers Insurance Company, require a high level of investigative attention. These investigations are some of our most complex cases and involve diverse legal issues including issuance of OIG administrative subpoenas, evaluation of medical evidence and expert witness testimony. OI's recently created Medicare investigative unit will focus on specific health care related complaints. This unit will carry out a number of specific projects designed to protect the Board's interests and to uncover fraud, waste and abuse. OI is currently reviewing criminal investigations that are opened at DHHS to determine which providers may be fraudulently billing the RRB Medicare Program. A number of joint investigations have already been initiated.

The RRB-OI and the DHHS-OIG plan to share resources to prevent duplication and overlap in investigating the Medicare fraud cases. Through coordination with U.S. Attorneys nationwide, other Federal and local investigative agencies, and the DHHS-OIG, as well as the RRB-OIG Office of Audit, OI will make the maximum use of available resources to combat health care fraud. The successful resolution of the cases will have a significant deterrent effect and create dollar savings for the RRB trust funds. OI will also ensure that the RRB pursue all possible means to recover fraudulent payments.

Finally, there are currently only 7 states with operational computer wage matching programs in place. OI and the RRB are initiating contacts with additional states to increase the number of these programs in FY 91. This action will certainly result in a larger number of referrals of potential unemployment/sickness insurance fraud cases requiring investigation.

With the data from all the above-mentioned sources, OI will develop in-depth information that will result in increased prosecutions, civil actions (e.g. actions under the False Claims Act and the Program Fraud Civil Remedies Act), and administrative actions. In addition, the Inspector General and the Assistant Inspector General for Investigations will continue to contact individual U.S. Attorneys across the country to ensure a high rate of prosecution.

OI will continue to ensure that all RRB publications contain information concerning OIG efforts to combat waste, fraud and abuse and the reporting of suspected fraud. This information will alert the railroad community of the importance of protecting RRB funds for its current and future beneficiaries.

Ongoing investigations will most certainly result in increased fines, savings and substantial dollar recoveries. Additional savings will accrue through deterrence and the elimination of systemic weaknesses in internal controls which make the programs vulnerable to fraud. Most importantly, railroad annuitants will enjoy an improvement in the delivery of their services through increased program integrity.

As OI's investigations become more complex, and as the caseload increases, there is also a direct effect on the administrative support required to process the paperwork and to handle evidence. The development of innovative investigative techniques to uncover fraud have now made staff increases a necessity to address ever-increasing backlogs. OI will continue to attempt to shift from a reactive to a proactive position and, thus ultimately become an effective force in deterring and detecting fraud, waste and abuse.

OFFICE OF ANALYSIS AND INSPECTIONS

In FY 91, the OIG will establish an Office of Analysis and Inspections (OAI) that will initially consist of 6 positions. The mission of this office will be to promote economy, efficiency and integrity of RRB programs through short-term analytical studies and evaluations of RRB programs and policies for Board management. Through timely studies and inspections, this office will complement the more standardized audit and investigative functions of the OIG. It will provide management with prompt responses and added insights about RRB operations.

The OAI will conduct program inspections to evaluate the effectiveness and efficiency of program operations, agency compliance with laws and regulations, and vulnerability to fraud of RRB programs. Reviews will be initiated at the request of top management or at the suggestion of OIG staff. The advantage of these reviews will be that they can be performed more quickly than conventional audits and program evaluations because the routine strict audit standards are not critical in this area. Inspections may identify management problems that require a formal audit, or detect possible wrongdoings that necessitate a full investigation.

The staff of the Office of Analysis and Inspections will be made up of individuals of different disciplines and skills -- management and program analysts, computer specialists, persons with agency program experience, as well as audit or investigative skills. Inspection personnel will also have strong communication abilities to promote the necessary cooperative work environment needed for ensuring realistic solutions that can and will be implemented by agency management.

This office will provide greater coverage with less staff, generate a deterrent through greater OIG coverage, and provide timely feedback to bureau directors about current or potential problems and new operations. This type of operation has proven very successful for other Offices of Inspector General. We anticipate that establishing an inspections group will yield useful results for improving the day-to-day operations of the RRB.

SUMMARY

The Office of Inspector General is requesting increases in staffing and funding for FY 91 in order to continue its efforts in identifying waste, fraud and abuse and in providing adequate audit and investigative coverage in RRB operations. The Office of Audit and the Office of Investigations have made major contributions toward improving the economy, effectiveness, and integrity of agency programs. As a result of our efforts, management has taken some initial steps to seek recoveries, to use funds more efficiently, and to prevent incorrect benefit payments. Additional staffing in audit and investigations and the formation of the Office of Analysis and Inspections will begin to allow the OIG and the RRB to carry out their responsibilities to provide the very best service possible to railroad workers and their families.

Summary of Permanent Positions

	1990 EST.	1991 EST.
Executive Level IV	1	1
ES	2	3
GS/GM-15	1	3
GS/GM-14	5	3
GS/GM-13	10	15
GS-12	17	40
GS-11	13	16
GS-10	3	4
GS-9	13	7
GS-8	1	0
GS-7	8	19
GS-6	0	1
GS-5	3	6
GS-4	3	1
GS-3	0	0
TOTAL	80	119
Unfilled positions as of September 30	0	0
Total Permanent Employment (End of Year)	80	119

WEDNESDAY, APRIL 4, 1990.

U.S. INSTITUTE OF PEACE

WITNESSES

AMBASSADOR SAMUEL W. LEWIS, PRESIDENT, U.S. INSTITUTE OF PEACE
CHARLES E. NELSON, EXECUTIVE VICE PRESIDENT
BERNICE CARNEY, DIRECTOR OF ADMINISTRATION
CHARLES SMITH, GENERAL COUNSEL

Mr. NATCHER. At this time, we take up the budget request for the fiscal year 1991 for the United States Institute of Peace. We have before us Ambassador Samuel W. Lewis, President of the Institute.

Mr. Ambassador, tell us who you have with you at the table.

Ambassador LEWIS. Thank you.

This is our Executive Vice President, Mr. Charles Nelson; our General Counsel, Mr. Charles Smith; and our Director of Administration, Ms. Bernice Carney.

Mr. NATCHER. We are delighted to have all of you before the committee. Now, Mr. Ambassador, we will be pleased to hear from you.

OPENING STATEMENT

Ambassador LEWIS. Thank you, Mr. Chairman, Mr. Conte.

I am very pleased today to present to you the United States Institute of Peace's budget request for 1991 of $9,200,000. This is within the level of $10,000,000 authorized in our authorization legislation.

I would like to stress, Mr. Chairman, that a no-growth budget level for fiscal year 1991 would require an appropriation of $7,852,000; that is to say, our current appropriation plus a 4-percent inflation figure. So, our request for $9,200,000 is about 17 percent higher than a no-growth level.

Now, that is perhaps an unusual increase to request in this present budget climate, but we believe strongly that it is justified by two basic facts.

The first and most important, I think, is that the world situation has changed dramatically in recent months. It is continuing to change at a very startling rate, not only in Europe, but in other continents as well. The result is that the relevance of the Institute of Peace's work to the national security interests of the United States in achieving a more peaceful world is greater today than ever before.

The second related point is that, after four years of operations, the Institute has matured as an organization to a point where it is able to play a very useful and growing role to assist policy-makers,

negotiators and the public in general to understand and act on the far-reaching implications of the new world environment we are entering.

The budget request we have submitted elaborates both of these points, Mr. Chairman. I won't go over it in detail. We have first described the way the world scene is changing. There is a very promising picture in Europe, but many, deadly and new threats to peace and to U.S. interests in other continents; a panorama, in fact, of not only some very promising opportunities but some very great uncertainties and dangers.

The decade ahead, Mr. Chairman, is going to be, without question, a more complicated decade for the United States and the world than the simpler decades of the Cold War. More complex challenges of a practical sort, not necessarily more dangerous, but more complex.

This means, I think, that Congress' decision in 1984 to establish the Institute of Peace was very timely indeed. We are now in a position at this crucial period in history to help unravel some of these complexities and provide some special insights about the prospects for peacemaking, not only to our government but to our Congress and our public. The challenge of understanding the global issues and the Institute's ability to help deal with that challenge have come together at this particular moment in history.

As this committee is well aware, Mr. Chairman, our mandate under the legislation is to develop the widest possible range of education and training, basic and applied research and peace information services.

The budget request we have submitted describes in considerable detail a focused program to address these goals and the real progress we have made toward meeting them. It proposes increased funding for certain areas and describes the impact of any shortfall in the requested level of appropriations.

In fiscal year 1991, our major emphasis goes to two areas. One, responding to the new challenges of the global agenda; and, two, expanding the educational and information work for our citizens.

As far as the new challenges are concerned, we intend to direct, both this year and next, more of our resources toward projects that take advantage of the special advantage the Institute possesses to serve as a bridge between the operational agencies of the Executive Branch and private scholars in this country and abroad.

I would like to just cite one example. Well before the dramatic events in Eastern Europe of last autumn, we began to examine the longer-range prospects for Eastern and Central Europe, encouraged by and with the cooperation of the Department of State. We convened a mixed group of scholars and current and former policy-makers and diplomats.

In this mixed group, we analyzed those conflicts in Eastern and Central Europe which one could readily predict may erupt over the next five years as Soviet political control recedes from that region. We looked also at how those predictable areas of new conflict—or old conflicts revived—could be forestalled by either American diplomacy or that of our allies.

The result will be a public report, for U.S. policy-makers and for our public at large, to be issued very shortly. We have plans to

carry out similar projects in the next year on other potential conflict areas.

Another way in which we are responding to the new global agenda is by undertaking some cooperative ventures with Soviet institutions. Later on this spring, for example, we will sponsor, with the Research Coordination Center of the Soviet Foreign Ministry, a symposium looking jointly at the origins of the Cold War from the two perspectives, U.S. and Soviet. The best American historians and some of the best Soviet scholars will meet together in Moscow, under our joint auspices, to compare perceptions on some of the key events between 1945 and 1950 that transformed the wartime alliance into a Cold War confrontation, and then to draw some conclusions from that history relevant to this era.

We will jointly brief the top Soviet leadership on the results of that seminar. The Soviets then will come here and we will do the same with Congressional leaders and Executive Branch leaders and the public in this country.

A second cooperative project with the Soviet authorities has just concluded its first stage in a conference in Moscow. The Institute, in cooperation with the State Department, U.S. Information Agency and the Department of Justice, brought American scholars expert on American political governance and constitutional issues to meet with Soviet legal and judicial experts to discuss aspects of rule of law issues and the American constitutional experience. As the Soviets try to reform their whole system, this is a welcome dialogue for them. It gives, for their benefit, some of our insights into issues of federalism, separation of powers, questions of independent judiciaries, the role of legal systems, and so forth.

This project, very enthusiastically received by the Soviets, is one which can provide a model for other rule-of-law-and-governance projects which we may undertake on Eastern Europe or other regions.

We are also planning to sponsor a major conference next year on Third World conflict, based largely on the work of our own grantees, fellows and consultants, looking at questions of conflict in other regions and what lessons can be applied in how to resolve those kinds of violent situations.

Moreover, we are planning a follow-on activities to our Eastern European study group. One would be in a working symposium or conference on the kinds of conflict problems which are likely to arise in Europe out of the political readjustments coming from German unification.

Those are only a few examples of ways in which we are orienting our program to the new agenda and the new challenges of this era.

I don't want to take a lot of your time, Mr. Chairman, so about the second major area, our education and information programs, I will just say that we have been studying carefully how to get at this issue in a country of this size and magnitude. We have selected certain priority audiences, high school students and teachers, college and graduate students, faculty, certain nonprofit organizations and other opinion leaders, and selected members of the general public especially interested in foreign policy and international affairs questions.

To get at these selected audiences, we have gone into a number of different kinds of projects using public television and video, teacher training programs, curriculum development grants, print publications, grants to citizen organization networks, and of course, our high school essay contest that is now in its third year.

We have learned, for example, from market research done by other organizations in school classrooms, that there is a very large demand, as yet unsatisfied, from high school teachers in history and social studies for quality video and print materials that deal with international issues, to enrich the normal curriculum.

I described our plans to meet this need in last year's hearing. Now we are well along in producing a series of half-hour video productions, titled "Breaking the Mold," which dramatizes the role which individuals can play in achieving peace, for use specifically in high school classrooms.

These programs will be distributed via cable and videocassette. We have already made a pilot on the Eisenhower period, dramatizing President Eisenhower's efforts to achieve peace in the mid-1950s and what led up to them. In fact, the program gives an excellent short video course in the history of the early post-war world.

We have planned two additional half-hour videos on Eastern Europe and the way the Eastern European scene evolved in the latter years after the Eisenhower period. Those will be finished this fiscal year. We have planned up to four more for fiscal year 1991.

The pilot program has been tested with high school teachers and students in several different geographic areas. We have an expert group of consultants advising the producers. We review the scripts, although the production is done by a small independent production company on contract to us.

We are very pleased with the way this project is now proceeding. Of the increased funds we are asking for for 1991, a chunk would go for these additional video productions.

We also have used video in some other ways by giving grants to external film makers. We financed one project at the Southern Center for International Studies in Atlanta, which made an educational video and print package to be used in schools and colleges about the United Nations, derived from an excellent public TV program which they produced with Ford Foundation support.

We have made a grant to the Close Up Foundation for a series of video programs for public television in which students meet with experts on peace-related subjects and ask them questions. It is an excellent educational program and is now being run in Washington.

We haven't, of course, only worked with video and television in the educational field. We have made a number of grants to a wide variety of educational institutions to develop better textbooks and courses and to run seminars and teacher training in the field of international conflict resolution and peacemaking. These grants have gone to colleges and universities in West Virginia, New York, Virginia, Iowa, Mississippi, Hawaii, Pennsylvania, and California. quite a variety across the country. We are very—pleased with a number of products from those grants.

In its second year, our national essay contest for high school students was a big success, and this year, the third year we are run-

ning it, we have nearly three times as many students sending in their essays. The contest has received a lot of praise from State Governors, some Members of Congress, local education officials, and individuals who judge the essays around the country.

Finally, in the education area, we are developing a comprehensive library program. It includes a core collection; bibliographies and guides, such as a special guide to the Library of Congress subject heading and classification system; the beginnings of a computer-linked national information network of all the peace-related collections in various parts of the country; and an oral history program focused on the unique experiences of veteran diplomats and statesmen.

We have a five-year plan for this library development program which is summarized on page 47 of our budget request. But we have already had to slow down the implementation of that program with the level of appropriations that were available this fiscal year. If we do not get the amount we are asking for next year, the library program will develop much more slowly than the five-year plan specifies.

Mr. Chairman, in conclusion, since I first testified two years ago before you, I think the Institute has really made great strides forward. There is still a long way to go to fulfill our potential, but I am proud to be able to have sent to both of you, Mr. Conte and Mr. Natcher, last evening, copies fresh off the press of our biennial report. This is our second biennial report to the Congress and the President. It covers all of our activities in fiscal years 1988 and 1989, through last autumn.

If you have time to glance at it, I think you will find it demonstrates a remarkable degree of progress by this new institution.

I have specified in this statement only two program elements that I wanted to call to your attention at this time, but our program is, of course, much broader than these two elements. A full response, if possible, to our budget request is truly needed if we are to be able to meet the genuine challenges of this era and continue to develop the programs that we have described across all of our program planning areas.

If we were limited to less than this amount, or if we were cut back as the President's budget suggests to even less than a no-growth appropriation level, we would have to cut very deeply into these new programs that I have described. I think it would be paradoxical at this in history to do so, at the very moment that we are in a position to help our Nation respond to an exciting and promising new era in world affairs.

Thank you very much, Mr. Chairman. I will be happy to answer any questions.

[The information follows:]

STATEMENT OF

AMBASSADOR SAMUEL W. LEWIS

PRESIDENT

UNITED STATES INSTITUTE OF PEACE

BEFORE THE

SUBCOMMITTEE ON LABOR, HEALTH AND HUMAN SERVICES, EDUCATION AND RELATED AGENCIES

OF THE COMMITTEE ON APPROPRIATIONS

UNITED STATES HOUSE OF REPRESENTATIVES

APRIL 4, 1990

Mr. Chairman and Members of the Committee, I am pleased to meet with you today to present the United States Institute of Peace's budget request of $9,200,000 for fiscal year 1991. This request is within the level of $10,000,000 which Congress has authorized.

A "no-growth" budget for fiscal year 1991 would require an appropriation of $7,852,000 (i.e., fiscal year 1990 actual appropriation of $7,550,000 plus a 4.0 percent inflation factor). The Institute's request for $9,200,000 is $1,348,000 (or 17%) more than that no-growth level.

While this percentage increase may be unusual in the present budget climate, we believe this funding level is justified by two basic facts:

(1) The world situation has changed so dramatically in recent months and continues to change at such a startling rate that the Institute's relevance to the national security interest in peacemaking and peacekeeping is greater than ever.

(2) The Institute has now matured as an organization to the point where it can play an even more useful and growing role in helping American policymakers and negotiators and the public in general better understand the far-reaching implications of this extraordinary new era.

The Institute's budget request elaborates at length on both of these points. It first describes the evolving nature of the world scene, a scene filled with peaceful promise in Europe and yet revealing many new, deadly threats to peace on other continents and to America's national security interests in those regions. It outlines a panorama of promising opportunities for settling some international conflicts and equally great uncertainties and dangers elsewhere. The decade

ahead, for those striving for a more peaceful world, presents a more complex set of conceptual and practical challenges than the simpler decades of the Cold War. As these challenges are central to the Institute's work, this means that Congress' decision to establish the Institute was timely indeed. Institute projects identify and unravel many of these complexities and provide unique insights about peace and peacemaking to policymakers, diplomats, the Congress and its staff, scholars, journalists, educators, students, and the American public. Never has the challenge been so great, and the Institute is helping to meet it.

As this Committee is aware, the Institute's mandate is to develop "the widest possible range of education and training; basic and applied research opportunities; and peace information services" on ways to promote international peace and conflict resolution without recourse to violence. The budget request we are submitting describes a focused program which addresses these goals, gives details of solid progress toward meeting them, proposes increased funding for selected program areas, and describes the impact on our program of any shortfall in the requested appropriation level. Major emphasis for fiscal year 1991 goes to responding to the new challenges of the changing global peacemaking agenda, and to expanding educational projects and citizen information services. In this statement, I will concentrate on only two aspects of our proposed budget.

RESPONDING TO THE CHALLENGES OF A NEW ERA

The Institute gives a high priority to examining current or impending conflict situations and to activities which can reinforce present trends toward liquidation of the Cold War. As our budget permits, we are directing more resources in fiscal years 1990 and 1991 toward projects that take advantage of the

Institute's unique ability to serve as a bridge between operational agencies of the Executive Branch and private scholars in this country and abroad.

For example, before the dramatic events last autumn, the Institute began to examine future prospects for Central and Eastern Europe by convening a mixed study group of scholars and diplomatic practitioners. With encouragement and cooperation from the Department of State, we undertook to analyze potential conflict situations which may arise in Eastern Europe over the next five years as Soviet control recedes, and how violence there might be forestalled. The product will be a public report for U.S. policymakers and other interested audiences. Similar projects on other potential conflict areas are scheduled for fiscal year 1991.

The Institute is also currently undertaking new cooperative projects with Soviet and Eastern European institutions to address: (1) contrasting perceptions of the origins of the Cold War, and (2) ways to advance democratic governance and the rule of law in the U.S.S.R. and Eastern Europe. This latter project provides a model for Institute activities in Eastern Europe and other regions, such as Southern Africa.

Early in fiscal year 1991, the Institute will (1) sponsor a major conference on conflict in the Third World based largely on the work of Institute grantees, fellows and consultants, and (2) convene a working conference on conflict situations likely to arise from German reunification and from political readjustments in Eastern Europe, building upon the work done in fiscal year 1990 through our Central and Eastern Europe Study Group.

EDUCATION AND INFORMATION PROGRAMS

The Institute's approach to its immense educational challenge stresses targeting special audiences and using our limited resources in ways designed to produce maximum multiplier effects.

Our priority audiences are high school students and teachers, college and graduate students and faculty, nonprofit organizational and other opinion leaders, and members of the general public with an interest in international affairs. Our programs utilize public television and videos, teacher training, curriculum development, print publications, citizen organizational networks, and a high school essay contest.

The Institute is also supporting through several grants the strengthening of pre-service and in-service training for professionals in policymaking and diplomacy, including negotiation. We plan to support and/or conduct an increasing volume of such training activities in the years ahead, as resources and opportunities permit.

Educational Television and Video Programs

Market research made available by other organizations to the Institute shows strong but, as yet, unsatisfied high school teacher interest in utilizing high quality video and print materials on peacemaking. The Institute's one-hour educational television program "Face-to-Face," on the history of U.S.-Soviet summit meetings, was broadcast by more than one-third of the public television stations in the country. It was also the basis for a package of four half-hour

videos accompanied by an instructional text for use by teachers and community organizations.

The Institute then decided to develop an educational video series attuned to the specific needs of high school teachers in such courses as American history, European history, and peace studies. To achieve this goal, we have successfully completed the production and testing of a prototype for a series of segmented 30-minute videos, tentatively titled "Breaking the Mold," dramatizing the roles of individuals who have made exceptional contributions to peacemaking. The teacher can select the full half-hour or a shorter segment to meet existing course needs. Plans for distribution include public television, cable television and mail order. The prototype dramatizes President Eisenhower's search for peace with the Soviet Union. Two additional half-hour videos focusing on Eastern Europe from the early 1950s through the end of 1989 are planned for fiscal year 1990 and up to five videos are being considered for fiscal year 1991, depending on availability of funds.

Institute support for a few carefully selected outside educational video productions has also been provided. For example, with Institute help, the Atlanta-based Southern Center for International Studies produced an excellent educational video and print package for schools, colleges, and civic groups derived from its televised Annual Report of the Former U.S. Ambassadors to the United Nations. Also, a grant to the Close Up Foundation supports the development of supplementary high school classroom materials based on a C-SPAN cable television series produced by Close Up titled, "Perspectives on Peace." Finally, one of our Jennings Randolph Peace Fellows is producing a program series for public television providing a historical analysis of the rise and decline of Communism as a factor in world affairs. Jointly sponsored by BBC-TV and WNET-NY, the series will eventually be repackaged for classroom use.

Other Curriculum, Materials Development, and Teacher Training Activities

The Institute has made grants to a wide variety of postsecondary and other educational institutions to develop texts and other materials, courses, seminars, and teacher training activities. Among the recipient institutions are Alderson-Broaddus College, West Virginia (teacher training); Columbia University (teaching materials and teacher education on human rights and peace); Consortium on Peace Research, Education and Development, Virginia (curricular development, faculty training and regional and national network development); Luther College Nobel Prize Committee, Iowa (curriculum development); Mississippi State University (course development and teacher training); University of Missouri, St. Louis (curriculum development and teacher training); University of Hawaii Institute for Peace (curriculum development and teacher training); University of Pittsburgh, Pennsylvania (case studies for classroom use); and Whittier College, California (innovative/classroom instruction simulations for college and secondary school students and workshops for community groups on the complexities of international negotiations).

If funds are available, we intend to expand this grant focus in fiscal year 1991 to try to meet the growing demand from similar applicants throughout the country.

Essay Contest

In its second year, 1989, the Institute's National Peace Essay Contest again attracted student participation across the country and from overseas American high schools. State first-place winners again were brought to

Washington for a three-day stay, which this year included an international conflict simulation exercise and other learning opportunities. The Contest has received high praise from state governors, Members of Congress, and local education officials in a number of states. The Contest will be repeated in fiscal years 1990 and 1991—and the 1990 competition involves nearly three times as many student essayists as the previous Contest.

Library

As a major component in its educational programming, the Institute has established the beginnings of a comprehensive library program. It is designed to make more readily available materials important to the work of diplomats and other practitioners, scholars, educators, and the public on ways to resolve international conflicts without violence. The program is planned as an international resource center with activities that reach far beyond its walls. It will have four major components:

(1) A core collection in a working research library at the Institute's offices, linked by the latest technology to other library collections and databases in the United States and abroad.

(2) A newly developed guide to the Library of Congress classification system which will make peace-related materials more easily accessible to students, researchers, educators, and librarians throughout the country.

(3) Grant funds to help develop a national network of information centers with peace-related collections and databases, linked electronically to the Institute's own core collection.

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(4) An oral history program to catalog and augment the preserving of unique experiences of diplomats and statesmen who have played direct roles in efforts to settle international conflicts.

We have developed a five-year plan for this overall program which is summarized on page 47 of our Budget Request. However, any appropriation level for fiscal year 1991 significantly lower than the requested level will result in much slower development of the projected national library network.

CONCLUSION

Mr. Chairman, since I first testified before you two years ago, the Institute has made great strides—but there is still a long way to go to fulfill our potential. In this statement, I have concentrated on only two program elements of our response to the challenge of this new, promising era in world affairs. Full funding of our Fiscal Year 1991 Budget Request is necessary to meet these challenges and to continue to develop the other programs we have now successfully launched.

Funding at levels lower than the amount requested would require the types of cuts listed on pages 73 and 74 of our budget request. To constrict the Institute to even less than a "no-growth" appropriation level, as the President's budget has proposed, would require further deep cuts in the priority programs described above. Such an outcome would, I believe, be both paradoxical and damaging to America's ability to respond creatively to opportunities unparalleled since 1945 for achieving a more peaceful world order.

I urge you and your colleagues on the Committee to give our budget request your full support.

UNITED STATES INSTITUTE OF PEACE

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WITNESS BIOGRAPHY
FOR
TESTIMONY BEFORE THE
SUBCOMMITTEE ON LABOR, HEALTH AND HUMAN SERVICES, EDUCATION AND RELATED AGENCIES
COMMITTEE ON APPROPRIATIONS
HOUSE OF REPRESENTATIVES
APRIL 4, 1990

Ambassador Samuel W. Lewis is President of the United States Institute of Peace. He retired from the State Department in 1985, after 31 years as a Foreign Service Officer. In his last post, he was United States Ambassador to Israel for eight years, first appointed by President Carter and then reaffirmed by President Reagan. He was a prominent actor in Arab-Israeli negotiations, including the Camp David Conference, the Egyptian-Israeli Peace Treaty, and U.S. efforts to bring the Israeli invasion of Lebanon to a peaceful conclusion. He had previously served as Assistant Secretary of State for International Organization Affairs, Deputy Director of the Policy Planning Staff, Senior Staff member on the National Security Council, a member of the United States Agency for International Development mission to Brazil, Special Assistant to the Under Secretary of State, and had lengthy assignments to Brazil, Italy, and Afghanistan. Before assuming the presidency of the Institute on November 1, 1987, Ambassador Lewis was Diplomat-in-Residence at The Johns Hopkins Foreign Policy Institute and a Guest Scholar at the Brookings Institution. He is a graduate of Yale University *(magna cum laude)*, earned an M.A. degree in International Relations from the Johns Hopkins University, and also spent one year as a Visiting Fellow at Princeton University.

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Charles E. Nelson

Executive Vice President, United States Institute of Peace

Charles E. Nelson is the Institute's Executive Vice President. Before joining the Institute's staff, Mr. Nelson served as Vice President of an American export trading company conducting business with Latin America. Previously, he was an executive in The RAND Corporation's housing and civil justice programs where his work included a special emphasis on domestic dispute resolution issues. He has also worked as a senior staff member in the United States Agency for International Development and in a private consulting firm, as a lawyer, manager, and administrator on economic and social development programs in the Middle East, Africa and Latin America. Mr. Nelson holds an A.B. degree (*magna cum laude*) from Harvard College and an LL.B. from Harvard Law School; has completed graduate courses at The London School of Economics; and is a graduate of the National War College.

An independent institution established by Congress to strengthen the nation's capacity to promote peaceful resolution of international conflicts.

STRAIGHT-LINED BUDGET

Mr. NATCHER. Thank you, Mr. Ambassador.

Now, as you have indicated, the President intended to straight-line the Institute's request for 1991, but actually proposed a slight reduction because of confusion in sequestration. Why does the Administration believe the Institute can manage with a straight-lined budget?

Ambassador LEWIS. Well, I don't know, Mr. Chairman. That is a question that is hard for me to answer, because I don't agree with it.

As OMB looked at our budget—I believe I am correctly informed—that at the staff level there was support for increases for us this year, beyond the straight-line level.

But in the process of reviewing the overall budget for the Administration at various stages in OMB's consideration, it was shaved back and eventually, as you pointed out, they ended up putting a number in which was actually less than what we received last year.

So, I think it was a reflection of the overall budget climate that OMB was dealing with in putting together all of the President's budget. They seem to be, at the staff level at least, well-impressed with the progress we have made, and they have not really questioned any of the specific proposals that we made.

In fact, they have been quite complimentary about our projects and the progress we have been making.

INCREASED BUDGET

Mr. NATCHER. You are requesting more than a 20-percent increase in your budget for fiscal year 1991. Quite unusual now, Mr. Ambassador, for this committee to be able to provide an increase of that magnitude for any program in the bill. Why should we have a 20-percent increase at this time, when international conflict seems to be decreasing?

Ambassador LEWIS. Well, I tried to touch on that in my statement, Mr. Chairman. Actually, as I say, I think it should be considered a 17-percent increase above a straight-line level, including an inflation factor. But it is a big increase, and I recognize that is uncommon for this committee at this time in particular.

The answer is that this Institute—still new and still growing and maturing—is in an extraordinarily advantageous position to help the Congress, the Administration and the public understand the new world we are moving into.

It will not necessarily be only a peaceful world. There is real progress in East-West relations. Eastern Europe is being transformed before our very eyes. But as we discovered in our East European study group that I referred to earlier, many of the age-old reasons for conflict that made the Balkans and Eastern Europe a tinderbox in previous generations are still there and are again reappearing.

The dangers of conflict in Europe have by no means gone away. The dangers of challenge in other regions are as great or greater than ever. Think about this week's news concerning an area where I spent a lot of time. We have seen an exchange of really quite

frightening threats between Baghdad and Jerusalem over the issue of missile technology and chemical warfare only in the last three days, with threats from Saddam Hussein that Iraq is in a position to—and would, if provoked—burn half of Israel with its binary chemical weapons.

All of the experts agree that the era we are moving into is marked by extraordinary sophistication in missile technology combined with cheap chemical warheads and some nuclear proliferation, as well. That means, they say, that in much of the Third World, countries which have not been seen as threats to international security because they didn't have the weapons to threaten it are now able to acquire those weapons.

The dangers of ethnic and religious and historic conflicts in Asia, the Middle East and Africa in particular exploding into real international crises may be greater in the decades ahead than they have been in the decades we have just come through.

Now, the U.S. will not have a direct involvement in all of those disputes, but we are not going to be, I think, by any means, withdrawing from pursuing our interest or our concerns about the world. We have a major stake in many of these regions.

The role of the Institute can be quite crucially helpful to our government and to our public if we are to understand the more complicated nature of this new world we are moving into. That is the essential reason why I would urge you to give us as much as you can of the increase we have asked for. We can only deal with this new agenda without an increase if we were to stop in our tracks in programs which we have already launched and which are developing very well, for instance, in fellowships and grants and elsewhere.

So it is a matter really of the moment and the priority and the unique opportunity that the Institute now provides.

SPACE

Mr. NATCHER. How much space, Mr. Ambassador, do you currently occupy, and how does this compare to a year ago?

Ambassador LEWIS. We have now three floors in an office building on M Street which belongs to the American Chemical Society. When we moved into that building in December of 1987, we initially leased two floors. A year and a half ago, we leased a corner of a third floor, and this year, we have taken the rest of that third floor, so we now have three floors.

We have taken that additional space in order to accommodate growth, particularly in two programs, our library program and our fellowship program, both of which are very space-intensive operations.

Mr. NATCHER. Does the increase in space explain all of the 48-percent increase in rent in 1990? Is that the result of it?

Ambassador LEWIS. I am sure the answer is basically yes. But let me ask my colleague, Mr. Nelson, to respond to this.

Mr. NATCHER. Go ahead, Mr. Nelson.

Mr. NELSON. We are concerned also by the amount of that increase as stated in our budget. We had to develop those numbers

before we had worked out with our landlord the escalation factors that are built into the lease.

We have now determined that we can reduce those figures by about $40,000 in 1990, and that will then further reduce the amount that we are asking for in that category for 1991.

Ambassador LEWIS. The lease has an escalator clause in it. It is a five-year lease. It requires us to increase it annually according to changes in operating costs for the building as a whole and other factors.

Mr. NATCHER. Is that a major reason for the 28-percent increase in 1991?

Ambassador LEWIS. Yes.

Mr. NELSON. It is that factor and the fact that the arrangement in the lease provides certain months of free rent in the early part of the lease term. There are fewer months of free rent in the later years of the lease.

Mr. NATCHER. Have you reduced funding of your grant portfolio to support the extra space recently acquired?

Ambassador LEWIS. Well, we have had to cut back the grant program this year overall because we did not have enough funds in the appropriation to cover the growth in our other programs, education, fellowships, library, without reducing the amount going into grants.

So, this year's grant program is lower than last year's. We are looking for an increase in 1991 to take it up somewhere toward where it had been last year, but not to the same level as FY 89.

Mr. NATCHER. What I have in mind, Mr. Ambassador, did you have to do this as far as the reduction in your grant program in order to take care of your additional rental cost?

Ambassador LEWIS. No. The basic reason, as I say, was to take care of the new initiatives I mentioned plus increased costs of the education program, the library program and the fellowship program.

Mr. NATCHER. All right, Mr. Conte, I yield to you.

Mr. CONTE. Mr. Ambassador, I also want to welcome you to our committee today. You have done what I consider a superb job in guiding the Institute since the inception and, of course, your credentials as Ambassador to Israel and foreign policy adds to the strength and the character of the Institute.

I wish you all the best. We on this committee will work together to help you do the best you can.

Ambassador LEWIS. Thank you, sir.

FELLOWS' WORK

Mr. CONTE. You have done an outstanding job in bringing in bright and talented individuals, peace fellows and scholars. Can you share with us the scope of the fellows' work?

Ambassador LEWIS. Yes. I think the fellows program is really one of the most exciting aspects of what we are doing, Mr. Conte. Over the period of the last four fiscal years, we have made awards to a total of 70 fellows. Now, that is a little misleading, because 32 of them are actually graduate student scholars at various universities completing their doctoral dissertations.

But we have had 38 Distinguished Fellows and Peace Fellows of the Institute in this four-year period, largely in-residence but with some out-of-residence. Seventeen of them have been in what we call the distinguished category, that is, people who have already achieved really great things in either scholarship or in statesmanship.

For example, one of our Distinguished Fellows last year was Francis Deng, who had been an Ambassador to the United States from The Sudan, and a former Sudanese Minister of State for Foreign Affairs. He undertook, while he was a fellow with us, work on attempting to help mediate informally that tragic set of conflicts in The Sudan and its surrounding area.

We have with us this year as one of our Distinguished Fellows, Professor Herbert Kelman, from Harvard University, who has been for a number of years conducting quiet but very successful workshops in which he brings together Palestinians and Israelis out of the eye of the public to get to understand each other's fears and ultimately to be able to negotiate with each other in a more formal fashion. Those are two examples of the kinds of projects that individual fellows have undertaken.

Some of the other topics that our fellows have done are fascinating. One of them, Raymond Cohen, investigated the psychological aspect of negotiations and the cultural differences between negotiators that help to determine the outcome.

Another is looking at how economic interdependence can assist in the building of peace in Southern Africa. That inquiry is being carried out by one of our Distinguished Fellows, Herman Nickel, a former U.S. Ambassador in South Africa who also is a former journalist.

One of our foreign fellows, retired Ambassador Jamsheed Marker from Pakistan, is looking at the question of how the regional conflict in Afghanistan erupted and what the roles of the different parties were; having taken part himself in the negotiations in search of a settlement there, he is able to look at this conflict from a unique point of view.

Just to show you the breadth and scope of our fellows program, another fellow this year is Walter Wink, Professor of Biblical Interpretation at the Auburn Seminary in New York; he is a specialist on non-violence. He is examining the effectiveness of non-violent strategies in achieving social change and the Biblical roots that those non-violent strategies stem from.

We have Professors of International Law looking at law in adjudicating conflict. We have a fellow who is producing a television series on the way communism has evolved worldwide and its many varieties over the last four decades.

We have a former Czech diplomat, Milan Svec, who is a fellow this year. He brings an extraordinary resource to us with his insight into the thinking of the communist leaders and diplomats in Eastern Europe. He is examining the modifications in the communist system in light of Gorbachev's domestic and foreign policy reforms.

These are a few examples. We run the gamut in our fellows from activists who do a lot of public speaking and interact with many organizations, as well as the public, to pure scholars. In fact, we

just selected our fellows for this year, and we have two truly outstanding scholars joining us as Distinguished Fellows, Alexander George from Stanford, and Mancur Olson from the University of Maryland, who is an economist of great repute.

One thing we are doing with our fellows in this year is to bring more economic questions to the forefront in looking at conflict situations.

Let me just say finally that the concept of the fellows program is that we have—with some 10 fellows in residence this year–the development of a community of scholars and practitioners, interacting with each other and not just working on individual research grants.

And the synergy, of bringing ex-diplomats and ex-policy-makers together with leading scholars produces some fascinating results. I think we are getting from that synergy some insights into the international system that we wouldn't get in any other way.

FELLOWSHIP PROGRAM

Mr. CONTE. How does your fellowship program differ from other international security fellowships such as the MacArthur Program?

Ambassador LEWIS. I think the main way it differs is that it is a residential program. The MacArthur program is, as I understand it, basically makes grants to outstanding individuals who stay wherever they are and do certain work.

We bring together not only scholars, but as I said, practitioners and journalists and in some cases, religious specialists to work together and interact together. The only other program of that kind that I am aware of is the Wilson Center for Scholars program here in Washington, which is a first-class program.

We have tried to model some of our fellows' program on the Wilson Center experience, though on a smaller scale. It started out in its early days as an effort to have half policy-type people and half scholars. My impression is, however, that the Wilson Center moved away from that after the first three or four years. They now invite almost entirely outstanding scholars who work on research and publication projects.

So, I think we are unique, both in the concept of the community of fellows combined with the concept of a variety of origins of fellows all under one roof.

FELLOWSHIP STIPEND LEVELS

Mr. CONTE. What are the stipend levels for these fellows?

Ambassador LEWIS. The basic principle is a no loss-no gain principle. The stipend is set based on what the person earned the previous year. Each stipend is individually negotiated.

The maximum for the Distinguished Fellows is GS–18 step one; the maximum for the Peace Fellow or intermediate level fellow is GS–15, step one. So, they are based on the Federal pay scale, of which we appointed two last year and two this year.

Mr. CONTE. Tell us what GS–18 and 15 are.

Ambassador LEWIS. G–18, step one, is 78,200 per year. GS–15, step one is $59,216.

Mr. CONTE. And for what period of time?

Ambassador LEWIS. One to two years. A maximum of two years, depending on the nature of the project.

Mr. CONTE. They come down here and find a house and rent it?

Ambassador LEWIS. Yes, and we don't help them with that. They have to do that themselves. We help them by providing a half-time research assistant, office and office equipment, travel costs if they are related to their project, and other miscellaneous expenses.

Mr. CONTE. Are you satisfied with the stipend?

Ambassador LEWIS. Yes, I think it is quite satisfactory.

LIBRARY PROGRAM

Mr. CONTE. In answer to a question by the chairman, you talked about needing a library and, you know, I would like to see you get off the ground here and—but why do we need another library? The Library of Congress, I mean, we sunk a lot of money into that, and then you have all the universities, Georgetown has a fine international library over there, they have the cultural center over there, and then you have all the other universities. I am not going to name them all, but they all have fine libraries.

Are we getting off into a tangent here that is going to cost a lot of money and just have duplication?

Ambassador LEWIS. I don't think so, Mr. Conte. There is no national library devoted to the problem of international conflict, peacemaking and related topics. There are specialized law libraries and collections of peace materials in a number of universities. We certainly don't intend to duplicate them.

But in talks with university scholars, with librarians, and the library community in general, we have a strong sense that there is indeed a need for a specialized library in this field. It needs a moderate core collection basically for the use of scholars and residents, but much more important is its being linked by the latest electronic technology with other collections around the country that have materials in this specialized field.

Moreover, this is a library program, not just a library. Part of the concept——

Mr. CONTE. Let me interrupt you. Something ticks back here. Last year, we put in some money, I think it was this budget, for a consortium library for six or seven universities in the Washington area.

Ambassador LEWIS. That is right. I believe I recall that.

Mr. CONTE. Why can't you get in on that deal?

Ambassador LEWIS. Well, we will be tied into not only the Library of Congress—we are working closely with them on one of our projects—but with the Georgetown Law Library and with other university collections in this area. Through computer links from the catalog center in our library, too, you will be able to get materials on loan from those other collections.

We will be linked through the interlibrary loan computer data base with the members of this consortium, but it is not the same thing as a library program which is devoted to this technical, specialized field and which also reaches out well past the Washington area.

We are making a few—not as many as we would like to—grants to collections in different parts of the country to catalog materials they already have and put them into the computer network so that they are more accessible elsewhere in the country.

Moreover, one of the rather specialized functions that we think is quite important is oral history. There is an awful lot of experience about negotiations and peacemaking which is not capturable except through oral histories of people who have actually been involved in these negotiations.

We just completed a survey of where oral histories already are in this country in this field of international security and peace. We are cataloging centrally all of those available oral histories wherever they may exist. Then we will in a very selective way add oral histories to our own collection internally, for example, by some of our fellows who have been involved in dramatic negotiations situations, like Chet Crocker, who negotiated in the Namibia accords.

So, we will have some history work internally, but more importantly, we will be the place in the United States where you can find out what exists in oral history related to negotiations and peacemaking, where it is and how to get it.

So, this library has a collection of books, but more importantly, it will be the center, five years or so from now, of a spider web of collections all across the country, and eventually overseas as well.

It will add a dimension to data access and scholarship that none of the existing libraries actually do or in fact can provide.

Mr. CONTE. Well, off the record.

[Discussion off the record.]

Mr. CONTE. I have so many questions, we would be here all day. So I am not going to ask them. I will submit them for the record, and you can go ahead and answer them as if I had asked them. We are going to be watching this library very closely, because I am afraid if we go too fast on these things, in a couple of years you are going to be up here asking for a building.

Ambassador LEWIS. Well, you know, we have slowed down. We have had to slow down the library development project in order to fund some of these other areas, but we do feel, and we have been encouraged to feel this way by a lot of people we have spoken to, that this is an important part ultimately of the Institute, that the core of the Institute conceptually should be the library and our fellows.

PRIVATE FUNDING

Mr. CONTE. Do you have any fund-raising programs from outside the government?

Ambassador LEWIS. Well, you know, Mr. Conte, our legislation prohibits any private contributions to the Institute.

Mr. CONTE. Is there a reason for that?

Ambassador LEWIS. I am told that during consideration of the legislation back in 1984, there was a strong feeling in the Senate among some of the members that it was best for the Institute to be funded wholly by appropriated funds so that the Congress could keep a tight rein and oversight over what it did. Part of the feeling reflected a fear that wealthy donors from either the left or the

right could acquire too great an influence over the Institute's programs.

So, they preferred to have totally public funding. That is the way our legislation is written.

Mr. CONTE. Okay.

Thank you, Mr. Chairman.

Mr. NATCHER. Mr. Ambassador, we have a few additional questions to be submitted to you. You give us good answers for the record.

Mr. Ambassador, we want to thank you and your associates for appearing before our committee at this time on behalf of your budget request for the fiscal year 1991. It has been a good hearing and thank you very much.

Ambassador LEWIS. Thank you for your courtesy.

Mr. NATCHER. The committee will adjourn until 2:00 on April 18.

[Questions for the record and the justifications follow:]

April 25, 1990

The following questions were submitted to be answered for the record.

Formal Evaluation Process

Mr. Natcher: Last year you were asked whether you had established a formal evaluation process for Institute programs. What can you tell us this year?

Amb. Lewis: We have considered carefully how best to evaluate the effectiveness of our varied programs, directed as they are at reaching many different audiences. While we will continue to review the question with our Board of Directors, at this stage we have concluded that we should not try to set up a single, formal evaluation staff or process. Rather, we are building in an evaluation function as an ongoing part of each of our programs: grants; fellowships; research and studies; education and training; and library. The nature of the evaluative component varies with the character of the program. In each case, however, evaluation occurs at three stages in any project's life cycle: (1) in weighing the relative priority and potential benefit of a proposal; (2) in staff monitoring and assessing the quality of a project as it proceeds; and (3) in reviewing the final product. Following are illustrations of program-specific evaluation tools applied to grants and to fellowships.

In the grant program, evaluation begins with the receipt of an application. Staff review it for eligibility, completeness, and overall merit. The full application is sent to the members of a Board committee, with one member assigned to report on it at the committee meeting where it is discussed and a recommendation is reached. A copy of the proposal, minus attachments, is sent to the other Directors, any of whom may request the full set of materials. After the committee reviews its applications, the committee chairman reports their views on each application to the full Board, and decisions are made on whether to fund, and if so, for what part of the proposed project and at what level. At any point in this process, any Director may call for outside review, and the application will be sent to three to five outside specialists for written evaluation.

Evaluation continues as each grantee must submit an acceptable progress report before receiving an installment payment. Grant staff encourage grantees to keep the Institute informed about significant activities related to their grant work, such as articles, interviews, lectures, and information requests. Grant staff have begun to make site visits to those grantees working on educational projects other than traditional academic research, for which a site visit would reveal relatively little.

When a final product is received, it is reviewed for completeness. We also look at each grant product's quality from the point of view of our highlighting the product, for instance, in the *Journal* or an *In Brief*, or perhaps even publishing it in its entirety or facilitating publication. The latter capacities are just developing and our ability to engage in that kind of supportive follow-on will, of course, be affected by the level of funding the Institute receives. The most important evaluations, however, occur in the marketplace. Examples of the kinds of questions we are now in the early stages of asking as grants come to their conclusions are: Was the scholar's work published? Where, and for what readership? To what acclaim or criticism? Has the curriculum whose development we supported lasted past its

testing phase? Have others adopted it in whole or in part? How have students and instructors responded? This type of review will play an increasing role in our review of the grant program's overall progress.

Our fellowships differ from our grants in at least two ways: (1) fellowships are as much investments in people as in products, and (2) in the aggregate, fellowships aim to create a community of highly talented and experienced people dedicated to the search for international peace with freedom and justice. Institute fellowships pay well and each year have gained in stature. They are highly sought and difficult to win, and demand high performance. The first level of evaluation occurs in the rigorous application and competition process, which involves screening by an outside panel, further scrutiny by me and my staff, Board committee selection, finalist interviews, Board selection, and carefully negotiated agreements.

While an individual is an Institute fellow, there is no formal evaluation of his or her activity, but for those in residence there is the sense of being part of an important venture and the relationships among fellows and with staff serve to stimulate the work. Those who are not in residence—a handful of Distinguished and Peace Fellows and all the Peace Scholars—are in touch with the Jennings Randolph program staff through periodic correspondence and discussion of work progress. In addition, each Distinguished Fellow and Peace Fellow is required to give at least one work-in-progress report at the Institute to an audience of other fellows, Institute staff, and invited guests. These occasions give fellows important targets and bench-marks at times when judgment is sought from peers.

At the conclusion of a fellowship, the program director meets with the fellow to review the experience and assess the product; I also meet personally with each resident fellow at various points during the fellowship to discuss our program and the Institute more broadly, and to find out how he or she assesses the time spent with us and to discuss plans. We also consider publishing, in whole or in part, a fellow's written work, and most of the fellows' agreements give us the initial publishing option. An Institute decision to publish a fellow's work will be made only after obtaining the results from a peer review process using outside reviewers, complemented by internal editorial review by Institute staff members. In addition, we may publish interviews of summaries of a fellow's work in the *Journal* or an *In Brief*. Fellows are interviewed, publish outside the Institute, serve on panels, and give speeches on their fellowship subject and related topics. Those engagements, too, offer another kind of marketplace evaluation.

Fiscal Year 1990 Grant Program Funding Level

Mr. Natcher: Explain your decision to reduce funding for the grant program in 1990 and to allocate these funds to other areas.

Amb. Lewis: The basic reasons for reducing funding in the grant program were to fund new initiatives responding to the new era in world affairs and to take care of the increased costs of the Institute's other priority programs. This reduction, however, should be viewed in the context of differing rates of development experienced by each of the Institute's programs.

The grant program was the first Institute program initiated. During fiscal years 1988 and 1989, it grew a faster rate than projected in the operating budgets developed at the beginning of those fiscal years (as described in the budget requests for fiscal years 1989 and 1990). There were two principal reasons for this extra

grant funding growth: (1) the grant program during this period continued to receive an increasing amount of meritorious applications, and (2) other Institute programs–principally the research and studies, education and training, and library programs–took longer to build up momentum than originally anticipated.

By fiscal year 1990 this situation had changed. Although the grant program could continue to grow because of the volume of high-quality applications, all of the Institute's other programs are also now fully operational and can now responsibly use even more funds than are available. In addition, two special demands for resources need to be recognized: (1) the need to fund new initiatives responding to recent changes in the world (as described in detail in Section II of the Budget Request for Fiscal Year 1991), and (2) the practical necessity of devoting more funds to the publication of works developed in previous years.

To accommodate these needs, the Institute, in its Fiscal Year 1991 Budget Request, allocated funds to support the new initiatives and the needs of the other programs that had not used their full funding in earlier years. Even so, the grant program remains the largest, most significant Institute program in fiscal year 1990, and the Institute proposes to increase its budget for fiscal year 1991 if funding permits.

As a further measure to ensure that the grant and other programs receive as much of the Institute's funding as feasible, we have maintained expenditures for management and administration activities from fiscal years 1989 through 1991 at a steady level–one that is declining as a proportion of total Institute resources from about 19 percent in fiscal year 1989 (actual) to about 15 percent in fiscal year 1991 (projected).

I believe that our ability to deal flexibly with the Institute's programming needs is an important component of our overall capability to adjust and respond to today's rapidly changing world and to apply our experience with the various program instruments most effectively.

Fiscal Years 1990 and 1991 Grant Solicitations

Mr. Natcher: How many grant solicitations are planned in 1990 and 1991?

Amb. Lewis: The Institute runs two kinds of grant competitions: the "unsolicited" cycle receives applications on the broadest variety of topics and approaches, from scholarship to public education to negotiator training, whereas the "solicited" cycle focuses on designated subjects and invites applications primarily for various forms of scholarship. For the fiscal year 1990 unsolicited competition, the Institute moved from three cycles to two, with application deadlines of October 1 and April 1. The solicited competition occurs once annually, with themes and topics announced in September and applications due by January 1.

Mr. Natcher: What will their focus be?

Amb. Lewis: The Institute does not select topics in advance for unsolicited grants. Instead, it accepts for review applications for all topics and approaches that fit within its broad Congressional mandate. Within that compass, the Institute's Board of Directors has identified a number of purposes for which grants will be considered. These include, but are not restricted to, research, education, and information dissemination on the relationship between adherence to international

human rights standards and international peace; perceptions of peace across political systems and ideologies, including the comparative status of peace movements and their impact under different political systems, and a comparative assessment and survey of the teaching of peace; negotiations, including lessons from the negotiations between the United States and the Soviet Union, and general lessons in the art of negotiation; and the relationship between domestic political systems and the aggressive use of force. The Board of Directors has also placed special emphasis on the development of curricula and materials for the study of international peace and conflict issues from high school through post-graduate programs; curricula and materials for negotiation, mediation, and conciliation theory, teaching, and training; and library programs, databases, bibliographies, and collections.

Unsolicited grant projects have addressed a broad range of topics on international conflict, such as the future of the NATO alliance; the proliferation of high technology weapons systems and prospects for regional arms control; the role of third-party negotiators in the resolution of regional conflicts; the implications of recent changes in Soviet foreign policy behavior for Western security policy; international humanitarian law as it applies to armed conflict at sea; the impact of economic and technical interdependence on sovereignty and national security; religious and ethical questions in war and peace; the use of nonviolent direct action in political change; and the prospects and limitations of deterrence as a strategy for conflict management.

In fiscal year 1990, the solicited grant competition features two critical topics selected by the Board of Directors: (1) prospects for conflict or peace in Central and Eastern Europe; and (2) war, peace, and conflict resolution in Latin America and the Caribbean.

The first topic is an extension of the Institute's study group on "Prospects for Conflict or Peace in Central and Eastern Europe." That study was conceived, in consultation with the Policy Planning staff of the U.S. Department of State, as the first of an ongoing series of policy-oriented reports on potential conflicts that may lie just beyond the current attention of U.S. Government policy analysts. The Institute expects that solicited research projects on Eastern Europe will help expand and deepen understandings gained from the work of that study group.

Conflict in Latin America and the Caribbean was selected as a critical area of concern for peacemakers. To help pinpoint priority issues for consideration in framing this solicitation on Latin America, the Institute held a meeting of some twenty distinguished scholars and policy experts on the region. Their recommendations served as the basis for Board selection of the following four topics: (1) civil-military relations; (2) drug trafficking and narcoterrorism; (3) administration of justice and rule of law; and (4) international political economy and regional security.

The fiscal year 1991 solicited grant topic(s) will be selected in late summer 1990 and will depend in part on developments in the world between now and then. The following are among the subjects currently under consideration

- peace and security in the Asia-Pacific region including Cambodia, Korea, and the role of Japan in regional security;
- militarization in the Third World and regional conflict;
- U.S.-Soviet-Chinese relations and the future of East Asia;

- nuclear, conventional, chemical/biological weapons: controlling the spread of advanced armaments;
- European peace and security: the European Community and 1992;
- conflict resolution in the post-Cold War period; and
- conflict and cooperation on environmental issues.

Facility Ownership

Mr. Natcher: Your budget mentions that you may explore ownership of your facility. Do you currently have statutory authority to purchase a building?

Amb. Lewis: While our statute provides general authority to "exercise the powers conferred upon a non-profit corporation" in the District of Columbia [section 1705(a)] and to "do any and all lawful acts and things necessary or desirable to carry out the objectives and purposes of this title" [section 1705(l)], it does not include explicit authority to purchase a building. Ownership that transpired through a governmental gift or contribution would appear, however, to be legally permitted, [section 1705(g)(1)]; but even if allowable, the Institute would take such a step only after full consultation with the appropriate Congressional committees. Government interest in the option of federal real estate ownership has not escaped our attention, and it is our view that, for financial, operational, and historic reasons, an appropriate component of our long-term planning should include consideration of owning our own facility. To pose the question is not, of course, to answer it. But prudence would encourage investigation of the range of options that would help bring the Institute the stature that its creators anticipated. One aspect of that stature is a facility that would heighten the Institute's national and international identity.

Staff Increase

Mr. Natcher: You will increase your number of Full-Time Equivalent staff by six in 1990. To which areas have these positions been assigned?

Amb. Lewis: The additional six compensable work years, or full-time equivalents, are attributable to two factors:

(1) Five new full-time permanent positions are being established during fiscal year 1990.

Program/Office	Position
Grant Program	Program Officer
Fellowship Program	Program Officer
Religion, Human Rights and Ethics	Senior Scholar*
Education and Training	Media Officer
Public Affairs & Information	Program Assistant

*A part-time position in fiscal year 1989.

(2) Other permanent positions that were not filled for all of fiscal year 1989 will have more of a full-year effect for fiscal year 1990.

National Library Network

Mr. Natcher: Will you do a formal assessment of the need for and interest in a national library network before initiating this program?

Amb. Lewis: Yes. The national library network is one projected component of the library program, which also includes a core collection, improved and systematized bibliographic access to materials in the field, and an oral history project. Preliminary steps that open the possibility of establishing a networking program have been initiated without a formal needs assessment, but a formal needs assessment will precede the initiation of the network program itself. These preliminary steps, some of which are a necessary part of planning, include: (a) discussions between the director of our library program and scholars and other librarians; (b) identification of network models; (c) initiation of informal relationships through committees and other mechanisms in the Special Libraries Association and the American Library Association; (d) creation of cooperative relationships between the Institute's core library and other special collections; (e) the award of a grant to the International Peace Academy to automate and update its library on peacekeeping; and (f) the award of grants to Columbia University Law School to convert its international law collection to OCLC (the Online Computer Library Center data base of library bibliographic information) and to RLIN (the Research Libraries Information Network shared data base cataloguing system) and to the Wisconsin State Historical Society to catalogue a portion of its uncatalogued peace materials into OCLC; each grantee provides the Institute with "dial-up" access to their online catalogues. Before establishing a more formal network beyond these initial, exploratory steps, a systematic study of needs will be made, paying particular attention to such issues as subject areas, formats, volume demand, geographic needs, type of audience (scholar, student, citizen, policymaker, etc.), speed and method of delivery, and means of communication.

Library Grant Criteria

Mr. Natcher: You plan to award grants to outside libraries for development of their collections and databases. Will you establish any financial need criteria for these grants?

Amb. Lewis: We do not plan to establish financial need criteria for grants to libraries to develop collections and data bases. Instead, criteria will be related to the program quality and the utility of the proposed project to furthering the purposes of the Institute's library program as a whole. A high priority for library grants is increasing professional and public access to the many types of materials needed by scholars, policymakers, citizens, students, and the general public as they work to increase our nation's capacity to resolve international conflicts peacefully. A basic problem is that important information and analysis in our field are available only as "grey literature"—e.g., unpublished "working papers," pamphlets, newsletters from small organizations, conference papers, and dissertations. In addition, a number of specialized library collections are known only to a limited number of scholars, because their holdings are not included in OCLC. The situation is further complicated by the way existing materials have been indexed and catalogued. The definition of the peace and security field has often been conceived narrowly, tending to restrict ease of access to much of the relevant information and materials. To work in the field, one often must work circuitously, moving from a traditional discipline through certain subheadings into the relevant literature, or simply by

memory or conversation with others, since cataloguers classify information in the most familiar ways. Thus a major task for the Institute is to develop methods for increased access to materials, through such means as cataloguing into online databases; creating bibliographies and guides; and selecting, acquiring, and making available materials in a specific area. Collaboration with the Library of Congress is an important resource. An initial product is *Guides to the Library of Congress Subject Headings Classification on Peace and International Conflict Resolution.*

Endowment Balance

Mr. Natcher: What is the current balance in the Endowment fund?

Amb. Lewis: The Institute transfers funds from its Treasury account to the Endowment's account, where they are used to fund payments of grants, fellowships, office rent, and certain other program costs. (See footnote 18 on page 13 of the Institute's Budget Request for Fiscal Year 1991.) These funds are maintained in interest-bearing checking accounts and in United States Treasury bills pending expenditure for obligations entered into pursuant to the United States Institute of Peace Act. As of March 31, 1990, the balance in the Endowment was $5,415,704. This balance funds obligations entered into through that date and others to be incurred through the end of fiscal year 1990. It is planned that all available funds will be committed or obligated by the end of the fiscal year.

Institute and Endowment Funding Criteria

Mr. Natcher: What criteria are used to determine whether a project is funded via appropriated funds or Endowment funds?

Amb. Lewis: Funds in the Endowment are, for the most part, appropriated funds that have been transferred from the Institute's Treasury account to the Endowment as authorized in section 1710(b). The Endowment account also includes earnings on investment [see section 1704(c)], interest returned from grantees, and a small amount of earnings from the sale of Institute products.

The funds are applied as follows. Institute funds are used to pay the salaries and benefits of Institute employees; for the travel of staff and fellows; to purchase supplies, furniture, and equipment under the government schedule; and for federal operational costs, including our contract with the Office of Administration of the Executive Office of the President for administrative support services, the Government Printing Office, the Health Unit, and publication of notices in the *Federal Register*. Endowment funds are applied to program activities, including grants; fellowship stipends and related project costs; contracts for certain projects such as the production of educational TV/videos; postage; and the payment of rent to our landlord, the American Chemical Society.

Endowment Utility

Mr. Natcher: What are the funding advantages or flexibilities offered by the Endowment Fund?

Amb. Lewis: Knowing that the Endowment provides the Institute with a special and important flexibility, we are careful in its use. We prefer, for example, that standard contracts and purchase orders be paid out of the Institute's account in the Treasury and that they are managed by our service contractor (currently the Office

of Administration of the Executive Office of the President). As a private nonprofit corporation, the Endowment gives us certain advantages, too. Through the application of copyright principles, we can own our work and protect the property rights of others who appear in our work, a capacity that has been useful in TV/video programming. All grant and fellowship agreements are established through the Endowment, which is an efficient and flexible instrument for individually-crafted agreements. In addition, we engage certain contractors through the Endowment, particularly when their work is on a fellowship project or as one means to ensure that copyright protection is kept in the work.

On the income side, the Endowment provides us a ready mechanism to receive receipts from the marketing of Institute work. [See sections 1705(h) and (l)]. We deposit in the Endowment account interest from grantees, who are required to remit to the Institute any investment earnings on grant funds. We also use the Endowment for investment earnings, as authorized in section 1704(c). The Board's policy is to invest only in federal government securities or securities guaranteed by the federal government. Currently we invest only in Treasury bills. The Endowment could receive gifts, contributions, and grants from government at all levels. [See section 1705(g)(1).] Finally, were our Act to be amended to permit the receipt of private funds, even for limited uses [see section 1705(g)], we would expect that the Endowment would be a useful instrument for that purpose.

Equipment Expenditure Increase

Mr. Natcher Why do equipment expenditures increase 121% in 1990?

Amb. Lewis: The increase for equipment and furniture in fiscal year 1990 is not all allocated to the purchase of equipment. For example, $65,000 is allocated to the acquisition of books and miscellaneous library furniture for the Jeannette Rankin Library, compared to $15,000 in the preceding year. Approximately $40,000 will be spent for equipment purchases in 1990, of which $27,000 will be used to upgrade the Institute's current telephone system.

Personnel Benefits Increase

Mr. Natcher: Why are civilian personnel benefits expected to increase by 23% in 1991 when personnel compensation increases by only 13%?

Amb. Lewis: Public Law 100-238, section 108 was interpreted to mean that the Institute would no longer be authorized to offer federal health insurance, life insurance, and retirement coverage to employees hired after September 30, 1988. Therefore, the Institute was compelled to establish a separate benefit provision for employees hired beginning October 1, 1988. The consequence was an increase of 1.4% in the benefit percentage of total compensation, from 17.3% in fiscal year 1990 to 18.8% in fiscal year 1991.

Until recently, employees hired after September 30, 1988 were paid additional compensation in lieu of benefits, with two understandings: (a) they would apply the differential between their salary and the higher figure to benefits; and (b) when formal benefits plans were established, those employees would no longer receive the additional compensation and would, instead, be offered participation in the plans. In the Institute's budget for fiscal year 1990, this cash supplement is included in personnel compensation rather than personnel benefits, thus increasing the former and decreasing the latter.

In November 1989, the Institute established retirement coverage with the Teachers Insurance and Annuity Association/College Retirement Equities Fund (TIAA/CREF). Eligible employees are full-time employees who have been employed with the Institute for at least one year. In February 1990, the Institute met the eligibility requirements for group life and health insurance coverage and established plans for coverage effective March 1990.

Therefore, the employees who had been receiving additional compensation in lieu of the benefits have had the additional compensation eliminated. This has had the twin effect of (a) reducing the Institute's overall compensation level for fiscal year 1991 and (b) increasing the Institute's benefits costs, since the employer's cost of private sector annuity and insurance coverage is higher than that experienced by the Government.

Federal Funding for Senior Scholar for Religion

Mr. Natcher: Do you have any concerns about establishing the post of a Senior Scholar for Religion with Federal funds?

Amb. Lewis: No, we do not. We do not believe this entangles the Institute in church-state issues, either by virtue of the subjects addressed or the staff position itself. In creating a position of this sort, the Institute understands itself to be prohibited from advocating any religious point or points of view. Such advocacy could not only breach Constitutional provisions for the separation of church and state but also the nonpartisan nature of the Institute.

The position of Senior Scholar for Religion, Ethics, and Human Rights was established on the conviction that religion has been, and continues to be, both a significant cause of international as well as internal conflict and an important resource for resolving conflict. Accordingly, it seems appropriate for the Institute, as part of its general program, to support the investigation of religion both as an obstacle and as a means to peace. In stimulating the study of religion in relation to peace, the Senior Scholar for Religion, Ethics, and Human Rights, among other things, directs a Working Group on Religion, Ideology, and Peace. This group is undertaking a two-year examination of the problem of religious and ideological intolerance as a threat to peace and of the opportunities and techniques that exist for reducing that threat. It will look carefully at areas where religion represents an important feature of conflict–such as Lebanon, Sri Lanka, and the Sudan–by gathering experts together to analyze and recommend ways of ameliorating such conflicts.

Visiting Fellow Category

Mr. Natcher: Why do you plan to establish a new Visiting Fellow program?

Amb. Lewis: There are eminent statesmen, scholars, and persons with other experience who might have a great deal to contribute to a better understanding of peace and conflict if they were to work at the Institute on a small project or do public speaking or other outreach work with us. Yet these persons may not be in a position to devote a full year or more to a residency fellowship, or the size of their projects may not require a long residency. The Visiting Fellow category is designed to give the Institute more flexibility in tapping the talents and expertise of such individuals. As currently planned, two Visiting Fellows would come at

separate times in fiscal year 1991 for 3 or 4 months each. To increase flexibility, selection can be made separately from the calendar followed for determinations on other fellowships; selections would be made through the same internal Institute process used for Distinguished Fellows, with a Board committee making a recommendation to the full Board for its review and decision. This is not a new fellowship program, but is simply a new fellowship designation for certain individuals.

Mr. Natcher: What will be the unit cost of each fellowship?

Amb. Lewis: Each Visiting Fellow position would cost approximately $26,000, plus project expenses. For planning and budgeting purposes, this figure is based on a pro-rata application of the GS 18, step 1 level (presently capped at $78,200) ceiling for the Distinguished Fellow category. As with other fellowships, individual arrangements would be negotiated, applying the "no gain-no loss" principle.

Travel Budget

Mr. Natcher: Why does the 1990 travel budget increase 104% over 1989?

Amb. Lewis: The majority of increase in the fiscal year 1990 travel budget is due to the increase in invitational travel for participants in the research and studies program's working groups, studies, study groups, and public workshops. The travel budget for this program increased by a factor of 3.5 in fiscal year 1990, from $32,000 to $117,000. Since the beginning, this program has conducted most of its activities in the form of public meetings employing the widest variety of experts from academia and the foreign policy community. During fiscal year 1989, only one study and the public workshop series were in active process. During 1990, these were continued, and the program added a working group (3 two-day meetings in Washington and a one-day meeting in Israel), two study groups (9-12 one-day meetings in Washington), and two cooperative projects with Soviet institutions that involve reciprocal Moscow-Washington visits. All of these activities require travel expenses for expert participants.

Mr. Natcher: What share of your travel request in 1990 and 1991 will be spent on international travel?

Amb. Lewis: The Institute anticipates spending approximately 35 percent of its 1990 travel funds and 25 percent of its 1991 travel funds on international travel. In fiscal year 1990 cooperative projects with the Soviet Union and the travel required by projects of Institute fellows will use three-quarters of the international travel funds.

Hawaii Outreach Program

Mr. Natcher: This past February the Institute sponsored an outreach program in Hawaii. What was the purpose and the end product of that program?

Amb. Lewis: The program was the Institute's third concentrated effort to reach grassroots audiences in major metropolitan areas around the country through local programming of Institute activities. Previous locations were Atlanta, Georgia, and Austin, Texas. Honolulu was chosen for three principal reasons. (1) There is strong interest in peace and conflict resolution affairs within the international affairs

community in Hawaii. (2) Hawaii is a logical place for the Institute to become better acquainted with issues and institutions affecting the study of peace and security in the Pacific region. (3) The Institute wished to evaluate firsthand five projects it has supported through grants to the University of Hawaii, which has a very active Institute for Peace.

The program in Honolulu took place on February 20-21, 1990, and consisted of more than a dozen events, including a grants and fellowships workshops; separate workshops for university and public librarians; a session for high school students; lectures to university classes; public lectures; an address to the Hawaii chapter of the United Nations Association; and newspaper, radio, and television interviews. The audience at a combined meeting of the Honolulu Rotary Club and the Pacific and Asian Affairs Council numbered over 450 people. The program also included a visit to the headquarters of the U.S. Pacific Command, where the Deputy Commander in Chief of U.S. Forces and members of his staff gave a briefing on threats to peace in the Pacific and Indian Ocean areas. It was agreed that the Institute would make special efforts to forward the results of grants, fellowships, and research and studies projects to CINCPAC officers working on the particular issues covered.

The program also included three public seminars on issues of special interest to important institutions in Hawaii, including the University of Hawaii and the East-West Center. The topics examined were religious intolerance as a source of conflict; the role of unofficial diplomacy in conflict resolution; and the possibility of an international solution to the Cambodian imbroglio. Each session was well-attended and produced stimulating discussion. The sessions on unofficial diplomacy and Cambodia will be the subjects of future digests in our *In Brief* series.

Each seminar was structured to take advantage of specialized expertise in Hawaii. For example, the religion seminar concentrated on issues affecting Buddhist and other Asian cultures. Among the panelists were the former Buddhist Bishop for Hawaii and the Director of University's Buddhist Studies Program. An ASEAN expert at the East-West Center delivered key remarks at the Cambodian panel. Experts on nongovernmental reconciliation efforts between North and South Korea and a Hawaii-based expert on alternate security participated in the unofficial diplomacy panel.

In addition to deepening relationships between the Institute and its Hawaii grantees, the program was instrumental in introducing Institute staff to individuals whose expertise will be useful in future programs. For example, over a dozen members of the governing Council of the University of Hawaii Institute for Peace briefed Institute staff about their Institute-funded programs and other activities. We were able to evaluate firsthand the projects we funded as well as to explore additional ways our organizations might cooperate. A similar session took place with senior staff of the East-West Center, who briefed the Institute about their activities.

Board Membership and Compensation

Mr. Natcher: Provide a list of each member of your Board, their professional affiliations, the total compensation they received from the Institute in 1989, and the total projected for 1990.

Amb. Lewis: The following table lists the Institute's Board, their principal professional affiliations, and compensation.

Board Membership, Professional Affiliation, and Compensation

Board Member	1989 Actual	1990 Estimate
Baldwin, Vice Admiral J. A. President, National Defense University	-0-	-0-
Bark, Dennis Hoover Institution on War, Revolution and Peace, Stanford University	$3,160	$5,342
Hadley, Stephen J. Assistant Secretary of Defense for International Security Policy	-0-	-0-
Kintner, William Former professor, University of Pennsylvania; former U.S. Ambassador to Thailand	579	5,342
Kirkpatrick, Evron President, Helen Dwight Reed Educational Foundation	-0-	-0-
Lehman, Ronald F., II Director, United States Arms Control and Disarmament Agency	-0-	-0-
Leibman, Morris I. Partner, Sidley & Austin	4,362	5,342
Lovett, Rev. Sidney Retired Minister, United Church of Christ	10,272	11,596
Moore, John Norton Professor, School of Law, University of Virginia	8,715	14,910
Neuhaus, Pastor Richard John Director, Institute of Religion and Public Life	820	1,196
Rostow, Elspeth Davies Professor, Lyndon B. Johnson School of Public Affairs, University of Texas at Austin	5,319	5,987
Schifter, Richard Assistant Secretary of State for Human Rights and Humanitarian Affairs	-0-	-0-

Thompson, W. Scott Professor, Fletcher School of Law and Diplomacy, Tufts University	24,628	18,519
Weinrod, W. Bruce Former program director, Heritage Foundation; resigned from Board to accept post with Department of Defense	16,428	2,424
Weinstein, Allen Director, Center for Democracy, and Professor, Boston University	-0-	1,196
TOTAL	$74,283	$71,854

Rental of Conference Facilities

Mr. Natcher: How much do you spend each year to rent conference facilities?

Amb. Lewis: We have frequent access to public conference facilities provided by our landlord to tenants in our building. We usually conduct our Board of Directors meetings, public workshops, and other public events at these facilities. However, occasionally the facilities have not been available or have not been large enough and the Institute has had to rent commercial space for an event. The Institute also rents exhibit space in and outside the metropolitan areas for its outreach activities. The total spent for the rental of conference facilities for program activities has been between $3,000 and $4,000 annually.

Educational Television and Video Programming

Mr. Natcher: You are increasing your emphasis on supporting the production of television programming. Is this the best use of your limited funds when groups like the Corporation for Public Broadcasting are devoting considerable resources to programming?

Amb. Lewis: The Institute is increasing its emphasis on video programming to meet specific needs not adequately filled by other public funders or the private sector. Our first effort in the visual media was "Face to Face: Conversations on U.S.-Soviet Relations." That project was produced for television viewing—and was successful in those terms; it also was packaged for classroom use in a four-part video series.

Soon thereafter, a number of other substantially better-funded television projects for similar public educational purposes began development. In the same period, we concluded that an especially serious gap in public education about peace and war was in the high school classroom, and that we should focus on delivery by video. Therefore, taking into consideration the attractiveness of the visual media to young people, we began producing a series of three half-hour video programs, with accompanying teachers' guides. A pilot video-and-print unit on peacemaking was successfully tested with high school teachers. Responding to both the expressed views of high school teachers and the dramatic changes taking place worldwide, we are focusing this year's series on the Soviet Union and Eastern Europe.

The Close Up Foundation recently completed an independently-funded, national study of the views of high school teachers of history, government, and related subjects on materials for teaching peace and security issues. This well-designed study documents both the high interest of teachers in the subject matter and their eagerness to obtain suitable materials, both print and video, not now available. The Institute's own focus group research around its pilot production confirms the Close Up findings and indicates: (a) One half-hour tape, segmented for flexibility of use, is the optimum video length. (b) A teachers' guide that includes reproducible student handouts is an ideal format. (c) The pilot video topic—the Eisenhower era and the President's impact on Cold War confrontation and peacemaking—and its treatment as well as those proposed for other units in the series are attractive to both teachers and students.

Crafted in the light of these findings specifically to supplement the American history curriculum while meeting the highest standards of scholarship, the Institute's initial three-unit series, titled "Breaking the Mold," will center on critical developments in U.S.-Soviet relations since World War II. Each unit is designed for library retention and reuse by teachers of American history as well as of government, international relations, world history, and related subjects over a period of years. Public and cable television organizations have already indicated strong interest in participating in distribution to the schools. In addition, the units will be suitable for use by community groups such as civic organizations, peace groups, and religious study groups; they are also being produced at a quality level appropriate for broadcast.

In the light of the inadequacies of existing materials as perceived by teachers and their strong preference for the use of video as a teaching tool, the Institute considers this use of its funds an exceptionally cost-effective way to strengthen basic American civic education in the complexities of peacemaking.

In fiscal year 1991, the Institute plans to continue the production and distribution of such materials, all designed to fill gaps most deeply felt by classroom teachers.

Audit Findings

Mr. Natcher: What were the major findings of your most recent audit conducted by Ernst and Young?

Amb. Lewis: Section 1708 (g) of the United States Institute of Peace Act provides that the accounts of the Institute shall be audited annually in accordance with generally accepted accounting standards by independent certified or licensed public accountants. The most recent of these audits was conducted by the auditing firm of Ernst & Young and covered the fiscal year ending September 30, 1989.

In its report, Ernst & Young stated that it had conducted the audit in accordance with generally accepted auditing standards which require that the auditor

> plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement preparation. We believe that our audit provides a reasonable basis for our opinion.

Based on its audit, Ernst & Young's major finding and conclusion was that the Institute's financial statements

> . . .present fairly, in all material respects, the financial position of the United States Institute of Peace at September 30, 1989, and the results of operations and changes in fund balance for the year then ended, in conformity with generally accepted accounting principles.

Section 1708 (g) of the United States Institute of Peace Act also requires that the auditor's report include a schedule of all contracts and grants requiring payments in excess of $5,000 and any payments of compensation, salaries, or fees at a rate in excess of $5,000 per year. Ernst & Young noted that this information is not a required part of the basic financial statements, but that such information had been subjected to the auditing procedures applied in the audit of the basic financial statements. Ernst & Young concluded that such information was fairly stated in all material respects.

Gifts and Contributions from Government

Mr. Natcher: You are authorized to receive gifts and contributions from all levels of government. How much are you expected to receive in 1990? For what will these funds be used?

Amb. Lewis: In fiscal year 1990, we do not expect to receive any gifts or contributions in the form of money, real estate, or significant equipment or furniture, other than books, from government at any level. We expect to receive some books for our core library from the Library of Congress; under our arrangement, we bring into our library useful Library of Congress surplus and receive through the Library gifts of books and related library material that we otherwise would be precluded from receiving under section 1705(g) of our Act.

Service Agreement

Mr. Natcher: Have you found an agency to replace the Executive Office of the President, which will no longer perform the Institute's personnel, contracting and other administrative functions?

Amb. Lewis: We have been in contact with other federal agencies seeking administrative support services, but at this time have not yet located an agency to provide these services.

Journal and *In Brief* Distribution

Mr. Natcher: What is the circulation size of the *Journal*?

Amb. Lewis: The *Journal*, which is published every two months in newsletter format, has a circulation of over 17,000.

Mr. Natcher: It appears the Institute plans to double production of the publication *In Brief*, and also increase issues of the *Journal*. Explain the rationale for the proposed increase.

Amb. Lewis: The Institute's legislative mandate is to disseminate information on peace and conflict resolution. Currently, the two publications are our primary print vehicles to that end. The content of both publications is driven by the results of our program activities, and as final grant products start coming in, fellows' work steps up, and in-house activities increase, we have a growing volume of activity to report on.

In Briefs, which are two- to four-page digests of significant research and related activity funded by the Institute, are developed twice each month to inform some 2,000 policy and opinion makers, executive officials, and members of Congress. *In Brief* insights cover information and policy suggestions gained from Institute grants, fellowships, and in-house research and studies activities.

In fiscal year 1989, the first year *In Brief* was published, we produced 12 issues. In fiscal year 1990, we will producing the full complement of 24. The *Journal*, which is described above, is released six times per year. The growth in production between fiscal years 1989 and 1990 is due to meeting the goal of a regular production schedule, which has now stabilized.

Journal Length

Mr. Natcher: Have you considered expanding the page length of the *Journal*, rather than increasing the number of issues?

Amb. Lewis: The annual number of issues of the *Journal* has now stabilized at six, and we do not plan to increase the number of issues. Most issues of the *Journal* are 8 to 12 pages long, although one edition ran to 16 pages. Our goal, however, is to produce 8 to 12 page issues routinely, reserving for special exceptions an occasional 16-page issue.

Subscription Prospects

Mr. Natcher: The Institute is authorized to charge subscription fees for its publications. Is it still Institute policy to distribute these free? At what point would you consider charging?

Amb. Lewis: Currently, it is Institute policy to distribute the *Journal* and *In Brief* free. We have only recently established *In Brief* and *Journal* and are developing a readership base for them, as well as a stable production schedule.

If the Institute were to consider charging for these publications, we would evaluate the marketplace by examining target audiences, competitive products, expenses and expected revenue, and our internal resources and ability to mount a subscription operation.

Printing and Reproduction

Mr. Natcher: Printing and reproduction expenditures increased 90% in 1990. Does the increase in publications account for this increase?

Amb. Lewis: In fiscal year 1990, the Institute will begin to publish carefully selected products from research initiated two to three years ago through grants and in-house and contractual research as well as by fellows. The increase in publications is the natural outgrowth of these investments. The potential

publication products (*e.g.*, monographs and books) are substantive and often lengthy. We do intend to charge for these larger products along with distributing some without charge. In previous years, the Institute's publications were primarily institutional, for instance, brochures and the *Journal*, but with the advent of the *In Brief* series, have become more substantive and illustrative of the wide range of Institute-funded or -managed activities. In fiscal year 1990, the increase in the number of publications budgeted is significant and does account for the sizeable increase in the printing and publications line item.

Mr. Natcher: Is the Institute required to use the Government Printing Office for these services?

Amb. Lewis: No, the Institute is not required to use the Government Printing Office (GPO) for these services. Implicit in our general authority under sections 1705(a) and (l), our authority to charge for publications, and the powers of the Endowment is the authority to publish separately from GPO. The Institute may, however, obtain the services of GPO, and we have done so for our two biennial reports.

Fellowship Stipends

Mr. Natcher: What are the stipends and related expenses for each of the three categories of Fellows?

Amb. Lewis: Fellowships are offered in three categories: Distinguished Fellows, Peace Fellows, and Peace Scholars. The work done by our Distinguished and Peace Fellows consists of both their individual projects and the public speaking or other outreach work they do while fellows. To support their projects and occasional outreach activities, the Institute provides stipends and, to the extent it is appropriate, supplemental project support.

Distinguished Fellow and Peace Fellow stipend levels vary from individual to individual and are determined in relation to the recipient's earned income during the twelve months preceding the fellowship period, applying a "no gain-no loss" principle. These amounts cannot exceed certain ceilings. Distinguished Fellow stipends are limited to the Federal pay rate established for the GS-18, Step 1 level, which currently is $78,200. The Peace Fellow stipend ceiling is GS-15, Step 1, which currently is $59,216. In addition to stipends, for in-residence Distinguished Fellows and Peace Fellows, the Institute will pay a portion of the monthly health insurance premium. The work of the Peace Scholars consists solely in the research and writing of their dissertations. For this, the stipend for one year is fixed at $12,000.

Distinguished Fellow and Peace Fellow project costs also vary greatly depending on the nature of each research or education project. Some fellows are working exclusively on their own, for instance doing library research to write a book, and thus have virtually no project costs. Other fellows' projects may require field research and thus foreign travel. Still other fellows are organizing and convening public education and dissemination projects including symposiums, structured dialogues, and so on, that involve other participants. The latter type of project thus may require travel and honoraria. Project costs for the current fellows average approximately $6,100. The Institute provides funds, as available, for fellows to participate in professional meetings.

Expenditure Table By Object Class

Mr. Natcher: Using the actual appropriation for fiscal year 1989 and 1990, provide a table that reflects your 1989 actual expenditures, and estimated 1990 and 1991 expenditures by object class. Use the Administration's request of $7,270,000 for fiscal year 1991.

Amb. Lewis: The table below is a revision of the table included on page 81 of the Institute's Budget Request for Fiscal Year 1991. This table includes actual appropriations for fiscal years 1989 and 1990 and the Administration's request of $7,270,000 for fiscal year 1991. As in previous years, all transfers to the Endowment of the United States Institute of Peace are included in the line item for "Grants, subsidies and contributions," which covers all expenditures made by the Endowment. The table also does not reflect other resources included in the Institute's operating budgets and received by the Endowment, such as interest earned on investments and miscellaneous receipts from sales of Institute products.

OBJECT CLASSIFICATION
(in thousands of dollars)

	1989 Actual	1990 Est.	1991 Est.
Personnel Compensation:			
Full-time Permanent	1159	1506	1821
Other than Full-time Permanent	274	215	123
Total Personnel Compensation	1433	1721	1944
Personnel Benefits Civilian.	253	298	367
Travel and Transportation of Persons	136	277	243
Transportation of Things	27	30	35
Rental Payments to Others	33	10	10
Communications, Utilities, and Miscellaneous Charges	41	38	45
Printing and Reproduction	146	158	35
Other Services	687	768	354
Supplies and Materials	61	57	65
Furniture and Equipment.	61	155	130
Grants, Subsidies and Contributions	4036	4040	4042
Total Obligations	6914	7552	7270

Starvation Tactics

Mr. Conte: *The New York Times* had a major article on starvation tactics used against children in Africa. As you know, brutal starvation tactics are also used in Ethiopia and the Sudan as a weapon of war. Furthermore, there are countries which have failed to respond adequately to natural disasters such as earthquakes and floods. Their failure to respond has resulted in regional and local instability.

How do you go about instituting peace and preventing famine in places like the Horn of Africa?

Amb. Lewis: In the Horn of Africa, there is serious famine in the northern parts of Ethiopia and in southern Sudan; famine also has become a major tragedy in Mozambique, and it continues in the countries of the Sahel. While each case has a natural cause, in the Horn and Mozambique at least, their severity and intractability are man-made by-products of the prosecution of war. Being man-made, each can be corrected by man. In that fact, of course, lies both the sorrow and the hope.

War can be prosecuted without famine, and famine can emerge without war. But the combination, of course, is double deadly. Some argue that responding to famine in wartime is a "bandaid" that allows enemies to continue their violent battles; were relief withheld, they contend, the politicians who drive the combatants would be forced to turn their attention to their dead and dying and seek peace. History, unfortunately, does not convey that lesson. So, in the short term, those with influence on government decisions should press humanitarian aid to help the victims and, at the same time, should attack the use of starvation as a political tool of warfare.

In regard to the United States Institute of Peace, Congress's timely decision to establish the Institute was grounded, as I interpret it, in the following sequence of propositions. Human beings have been endowed with superior rational capacity in order to direct their behavior and to construct in limited but visible ways the world in which they live. As rational beings, we have a degree of freedom of choice and are, thereby, problem-solvers. As this century draws to a close, how to achieve and sustain peace is the major problem facing mankind. It is appropriate, therefore, for the people of the United States to apply a portion of their public resources to this problem. The newest federal mechanism–one among a number from the Departments of State and Defense through the National Endowment for Democracy, the African Development Foundation, and the Peace Corps–is the United States Institute of Peace.

Because the Horn of Africa is so fraught with violent conflicts and untold hundreds of thousands of civilian deaths, we have paid special attention to it. Though we are precluded from direct diplomatic or policy involvement in such issues, we have supported expert inquiries devoted to Horn of Africa conflict issues, as the following examples show. Our fellowships have supported the work of former Ambassador and Sudanese Minister of State for Foreign Affairs Francis Deng; former Ethiopian Foreign Minister Goshu Wolde; and George Mason University Professor Mark Katz. With grants, we support the work of Jake Miller at Bethune Cookman College; Haggai Erlich at Tel Aviv University; Raymond Copson while on leave from the Congressional Research Staff of the Library of Congress; Professor Christopher Mitchell at George Mason University's Center for Conflict Analysis and Resolution; and RAND consultant Paul Henze. Moreover, many of the broader inquiries underway at the Institute bear on problems in the Horn, from

interethnic conflict (see, e.g., the fellowship work of Ted Robert Gurr and *Conflict and Peacemaking in Multiethnic Societies*, edited by Joseph Montville and produced under an Institute grant to the Foreign Service Institute) to the incidence of armaments in the Third World (see, e.g., the Columbia University grant directed by Stephanie Neuman) to a host of studies and symposia on those changes in the Soviet Union which have impact on the role of superpower rivalries in intensifying or ameliorating conflict in such regions as the Horn of Africa. We have hosted several public seminars that concern peace in the Horn, including a presentation of Paul Henze's paper "Eritrean Options and Ethiopia's Future," which has now become part of his upcoming book *Fatal Illusions in the Horn of Africa: Prerequisites for Peace and Progress.*

All of these efforts go toward helping the policy community better understand the tragic circumstances in regions like the Horn, and point toward policy remedies.

Hunger, Medical Abuse, and Related Transnational Medical Issues

Mr. Conte: Are transnational issues such as hunger, abuse of medical care, and other medical aspects of international security of concern to your institute?

Amb. Lewis: The important transnational medical issues you list are not primary issues before the Institute, although they are sometimes addressed as part of other questions, from case studies on regional conflicts to overarching subjects such as human rights, genocide, and refugee issues.

Mr. Conte: What are your current efforts in this field?

Amb. Lewis: We have no specific efforts underway on questions of hunger, abuse of medical care, and other medical aspects of international security.

Mr. Conte: Is there a need for additional research in this area?

Amb. Lewis: Probably, but we have not investigated these areas as possible priorities for Institute involvement. While I personally am persuaded that hunger, abuse of medical care, and related medical issues are certainly related to international security concerns, I have no informed opinion on whether or not additional research is needed on them.

Transnational Environmental Issues

Mr. Conte: As the cold war winds down, other areas of conflict are becoming more prominent. Transnational issues such as global warming, acid rain, laws of the sea and many others will become a major focuses for international disputes.

What is the Institute doing to contribute to these important issues?

Amb. Lewis: The Institute has focused most of its attention so far on disputes that have reached or seem likely to produce significant levels of violence. Over time, we may be able to extend our attention to subjects that have lesser potential of producing violence, such as acid rain. We have devoted substantial attention to questions of international law. For example, a grant to Syracuse University supported a legal conference on the application of international humanitarian law to armed conflict at sea, and a grant to the American Red Cross supports programs to educate the public on the principles of international humanitarian law as applied in

situations of armed conflict. Myres McDougal, Sterling Professor Emeritus at Yale Law School, was a Distinguished Fellow working on the completion of his seminal two-volume book *The Global Constitutive Process of Authoritative Decision.* Finally, we have begun to look at environmental degradation; before proceeding, however, we want to identify one or more aspects of this very large area that we might have special competence to address. For instance, are there environmental considerations that can or should be addressed as part of a negotiated conclusion to a violent conflict? Do environmental issues offer a useful way to engage non-governmental institutions in the international conflict resolution process? With so many questions that concern international peace in some fashion, the Institute must set priorities within the overall budget limitations set by Congress.

Low Intensity Conflict

Mr. Conte: What is the extent of your work on low-intensity conflicts?

Amb. Lewis: In June 1990, our research and studies program will complete the long series of meetings in its "Study on Strengthening the United Nations System to Meet the Challenge of Low-Intensity Conflict." Begun in fiscal year 1988, the study examines (a) the nature of covert or low-intensity conflict and its instrumentalities; (b) how existing international institutions, legal rules, and diplomatic practices might be made more effective against such conflict; (c) what defenses and deterrents are legally, morally, and politically appropriate in responding to the full spectrum of secret warfare activities; and (d) what policy mechanisms states might implement to cope with the threat of covert or low-intensity conflict and to expose its working fully to domestic and international opinion.

Two-day sessions have been held on

- the United Nations and the challenge of secret warfare;
- state-sponsored terrorism;
- insurgencies and guerrilla movements;
- coups d'état;
- activities of intelligence services; and
- secret warfare activities of transnational entities.

A final meeting under this project—on international legal and political remedies—will be held in late June 1990. The study has already produced more than 20 lengthy pieces of research and more than twice that many written commentaries. Over 100 international legal and foreign affairs scholars and practitioners have taken part in the project, and project-sponsored essays have already appeared in *Orbis* and *The Washington Quarterly*. The project will ultimately produce several volumes of essays, the editorial work for the first of which will be completed in fiscal year 1990.

In addition to this in-house study, fellowships and grants have also involved work on the portion of the conflict spectrum that encompasses covert warfare or low-intensity conflict.

An Institute fellowship, for example, supported the work of Professor Paul Seabury of the University of California at Berkeley on the use of proxy movements by the Soviet Union in Third World insurgencies and other low intensity conflicts. Sterling Professor emeritus Eugene Rostow, former Dean of Yale Law School and

29-886 O—90——43

Director of the Arms Control and Disarmament Agency, will use his fellowship to prepare a book applying international law perspectives toward aggression and self-defense. University of Maryland Professor Ted Robert Gurr's fellowship project included attention to the impact of ethnic strife upon political change and stability. Former Yale Professor Barnett Rubin's focus on the war in Afghanistan, and the conflicts in the Horn of Africa being analyzed by former Ethiopian Foreign Minister Goshu Wolde, cover secret outside interventions and geo-political struggle. Dissertations supported by fellowships cover the impact of coups and related destabilization on economic activity (George Agbango); the quest for international recognition by rebels in protracted insurrections (W. Scott Harrop); and superpower intervention in civil wars (Luigi Sensi).

Examples of Institute grants in this subject area include the work of Professor Christopher Hewitt at the University of Maryland in Baltimore on the economic, political, and social impact of terrorism in five Western societies; Joshua Sinai's study of the capacities of five governments to respond peacefully to the challenge of violent opposition movements; Columbia University's Rachel Ehrenfeld's ongoing probe of relationships between narcotics trafficking, terrorism, and political instability in Latin America; Raymond Copson's study of how guerrilla conflicts in Africa heighten regional and international tensions; and George Washington University's Jerrold Post and Ariel Merari's work on the effect of anti-terrorist policy on terrorist behavior.

Foreign Policy Contributions of the Institute

Mr. Conte: You have put an emphasis on the practicality of your Institute's work.
Can you share with us an example of how your Institute's work has contributed to current foreign policy-making?

Amb. Lewis: Included in the Institute's overall mandate are activities that strengthen the Government's peacemaking and peacebuilding capabilities, though our efforts are not intended to involve the Institute in day-to-day policymaking or legislative functions. I would like to cite two examples of our work that is directly responsive to current foreign policy concerns in the Government.

During late 1989 and early 1990, the Institute launched a number of priority activities related to the extraordinary era of change in East-West relations. One was in our study group series. With the encouragement and cooperation of the Department of State's Policy Planning staff, we convened a study group on Central and Eastern Europe in the early fall of 1989, made up of a mixture of leading scholars, area experts, and current and former diplomats and policy officials. For six lengthy sessions against the backdrop of momentous changes in the region, they tried to look over the horizon three to five years ahead to identify possible points of future upheaval or conflagration in the areas newly freed from Soviet domination, and, at the end of the sessions, to suggest various preventative responses that governments in the West might make. The report of this group will be distributed throughout the U.S. Government, the broader policy analysis community, and the interested public.

Having successfully tested this method for bringing together policymakers, academics, and practitioners to examine future potential conflict areas, the Institute plans to stage one or two such study groups a year. The list of possible topics is long, as the number of potential conflicts in the world remains substantial. We will

proceed one study group at a time, using the best advice of the Policy Planning staff of the State Department and other experts to make a timely choice. Topics under consideration for the balance of fiscal year 1990 and fiscal year 1991 include the Soviet nationalities problem, regional peace and security issues in Latin America, Japan's evolving role in Asian security, and the impact of German reunification on European stability.

A second new priority activity is the development of cooperative work with certain institutions in the Soviet Union. This is illustrated by two projects. (1) During the week of March 19-23, 1990, an important Institute-initiated seminar took place in Moscow and Leningrad on the rule of law, treating subjects that included separation of powers, civil rights and civil liberties, judicial independence, federalism, due process guarantees, and related fundamental issues in administrative and criminal procedure. The American delegation came from the Institute of Peace, from the judiciary and the private legal expert community under USIA sponsorship, and from the Departments of Justice and State; their Soviet counterparts were chosen by the Ministries of Justice and Foreign Affairs. (2) From June 25-28, the Institute will cooperate with the Research Coordination Center of the Ministry of Foreign Affairs (USSR) in sponsoring an expert seminar in Moscow on the origins of the Cold War. Eminent American and Soviet scholars and historians will compare their historical perspectives with the goal of generating new American and Soviet scholarship on the decisive events of 1945-50. At the close of the seminar, the group will meet with senior Soviet officials to discuss findings and their implications for current Soviet-American relations. Shortly thereafter, the group will reconvene in Washington for similar meetings with senior American officials. The Institute will publish a report on the proceedings. It is hoped that this effort will assist in the positive evolution of U.S.-Soviet relations by dispelling misperceptions about the crucial early Cold War years.

Articles by Fellows

Mr. Conte: Are there any major articles which your fellows have published in the past year?

Amb. Lewis: In the past year, our fellows have published many professional or academic journal articles, magazine or news articles, and "op-ed" pieces. The following sample of these writings reflects the wide range of subjects and media used.

Distinguished Fellows

Chester Crocker, "Peacemaking and Prospects in Southern Africa," Los Angeles Times, Dec. 17, 1989 [reprinted in *International Herald Tribune*, Dec. 20, 1989].

Francis Deng, "Sudan's Struggle to Become One Nation," *The Christian Science Monitor*, Feb. 1, 1990, at 19.

_____, "Conflict in the Sudan," 2:3 LIFE AND PEACE REVIEW 4-5 (1988).

Herbert Kelman, "How the US Can Advance Israeli-Palestinian Peace," *The Christian Science Monitor*, Dec. 7, 1989, at 19.

_____, "Applying a Human Needs Perspective to the Practice of Conflict Resolution: the Israeli-Palestinian Case," in CONFLICT: HUMAN NEEDS THEORY, John W. Burton, ed., St. Martin's Press, May 1990.

Myres McDougal (with W. Michael Reisman and Andrew R. Willard), "The World Community: a Planetary Social Process," 21 U.C. DAVIS LAW REVIEW 807-972 (1988).

Herman Nickel, "Democracy or Disaster for Africa," *The Wall Street Journal*, Jan. 31, 1990.

Peace Fellows

Lily Gardner Feldman, "1992 and the Federal Republic's European Identity: Implications for Relations with the United States," GERMAN-AMERICAN JAHRBUCH (1989).

Ted Gurr (with James R. Scarritt), "Minorities Rights at Risk: a Global Survey," 11 HUMAN RIGHTS QUARTERLY 375-405 (1989).

Ted Gurr, "War, Revolution, and the Growth of the Coercive State," COMPARATIVE POLITICAL STUDIES 45-65 (1988)

Hurst Hannum, "A Human Rights Agenda for 1989 and Beyond," Symposium on Human Rights: an Agenda for the New Administration, 28 VIRGINIA JOURNAL OF INTERNAT'L L. 867-871 (1988).

Mark Katz, "Regional Conflict and the Superpowers," *The Christian Science Monitor*, Dec. 8, 1989.

_____, "The Evolution of the Brezhnev Doctrine under Gorbachev," in GORBACHEV'S THIRD WORLD DILEMMAS, Kurt M. Campbell and S. Neil MacFarlane, eds., London: Routledge, 1989.

_____, "Evolving Soviet Perceptions of U.S. Strategy," THE WASHINGTON QUARTERLY 157-167 (1989).

Barnett Rubin, "The Fragmentation of Afghanistan," FOREIGN AFFAIRS 150-168 (1989/90).

_____, "Afghanistan: The Next Round," ORBIS 57-72 (1989).

_____, "Afghanistan: 'Back to Feudalism,'" CURRENT HISTORY 421-446 (December, 1989).

Milan Svec, "How the U.S. Can Help Eastern Europe," *The Christian Science Monitor*, Jan. 29, 1990.

_____, "Soviet Ties Are Hard to Cut," *The Journal of Commerce*, Jan. 19, 1990.

_____, "East European Divides," 77 FOREIGN POLICY 41-63 (1989/90).

Peace Scholars

Terrence Markin, "Pakistan and Revolutionary Iran: Adjusting to Necessity," 13 JOURNAL OF SOUTH ASIAN AND MIDDLE EASTERN STUDIES 110-127 (1989).

Negotiation

Mr. Conte: What is the extent of your work in teaching the art of negotiation?

Amb. Lewis: To date, the Institute's work in negotiation training has been conducted through the grant program. The Institute has funded a number of projects in the fields of conflict management and negotiation training. Examples include a grant to the American Academy of Diplomacy to support a study identifying and recommending ways participants in multilateral negotiations can improve their performances; grants to the Salzburg Seminar to advance the design and teaching of negotiation theory and practice to participants drawn from government, business, education, communication, and other backgrounds; support for the organization Search for Common Ground to conduct experimental training programs on conflict and dispute resolution techniques in the Soviet Union and Poland; a grant to the Center for Psychological Studies in the Nuclear Age for workshops on state-of-the-art techniques for promoting dialogue across ideological barriers; and funding for The Hebrew University to train diplomats in the art of pre-negotiation and to produce curricula for such training programs usable at other universities.

Mr. Conte: I understand your institute is involved in teaching college and high school students about negotiations—what are you doing there?

Amb. Lewis: Through our grant program, we are supporting a summer institute at the University of Missouri-St. Louis for secondary school teachers that will result in the preparation of curricula for high school students on such topics as conflict analysis, conflict resolution, negotiation, and communication skills. Using the case method approach, college students at the University of Pittsburgh are being taught about the use of negotiations to settle regional conflicts. An Institute grant for Whittier College's International Negotiation Project has supported the involvement of their college and local high school students in the unique ICONS program in which participants conduct simulated international negotiations by way of computer communication links. The Whittier College students have negotiated with other college students in the United States, Israel, France, Great Britain, Chile, and Argentina; teams of Whittier-area high school students have negotiated against each other.

Interaction with Research Institutions

Mr. Conte: Have your scholars and fellows been interacting with the other major research institutions such as the Carnegie Endowment, MacArthur Foundation, and the Rand Corporation?

Amb. Lewis: A number of Institute grantees have been affiliated with the Rand Corporation, the Carnegie Endowment for International Peace, and many other leading research institutions. Due to financial constraints, the Institute rarely provides full funding for grant projects. Consequently, Institute funds have been

combined with support from such institutions as the Carnegie Corporation, the MacArthur Foundation, the Pew Charitable Trusts, and the Ford Foundation, to advance, in particular, large-scale, multi-year research projects.

The group research projects conducted by our research and studies program have called on scholars as paper writers and commentators from most of the major research institutions working in the international affairs area. Contacts initiated in this way have led to continuous consultations between the Institute and other research institutions on matters of mutual interest. Institute fellows and staff members regularly attend conferences and meetings held by other research institutions, and their staffs and fellows regularly attend conferences and meetings at the Institute.

The fellows frequently participate as paper presenters or discussants at seminars and conferences sponsored by many other organizations. Through such dissemination channels, the work of our fellows influences and enriches the work done by other institutions. For example, in one conference on ethnic and civil conflicts held in March at The Paul H. Nitze School for Advanced International Studies at Johns Hopkins, four Institute fellows were represented among the 20 paper givers and discussants: Distinguished Fellows Herbert Kelman and Francis Deng and Peace Fellows Ted Robert Gurr and Mark Katz. The fellows in the Randolph Program also draw on the resources of other institutions through interviewing and consultation with specialists on topics within the fellow's research project at the Institute.

Some of the scores of organizations with which the Institute has significant dealings are:

- The American Enterprise Institute
- American Institute for Contemporary German Studies
- Asia Foundation
- Aspen Institute
- The Atlantic Council of the United States
- The Brookings Institution
- Canadian Institute for International Peace and Security, Ottawa
- The Carnegie Corporation of New York
- Carnegie Council on Ethics and International Affairs
- The Carnegie Endowment for International Peace
- The Carter Center of Emory University
- The Cato Institute
- Center for Conflict Analysis and Resolution, George Mason University
- Center for Policy Research, New Delhi
- The Center for Strategic and International Studies
- Center for Strategic and International Studies, Jakarta
- The Congressional Research Service
- Council on Foreign Relations
- The Council on Inter-American Security
- The East-West Center, Honolulu
- The Ethics and Public Policy Center
- The Foreign Policy Research Institute
- Freedom House
- Friedrich Ebert Stiftung Foundation
- Friedrich Naumann Foundation, West Germany
- Fondation Nationale des Sciences Politique, Paris

- The Heritage Foundation
- The Hoover Institution on War, Revolution and Peace
- The Institute for Democracy in Eastern Europe
- Institute for Policy Studies
- The Institute of Global Conflict and Cooperation, University of California
- Institute of International Affairs, Islamabad
- International Peace Academy, New York
- International Institute for Strategic Studies, London
- The Kennan Institute, Woodrow Wilson International Center for Scholars
- Latin American Institute, Albuquerque
- Leonard Davis Institute, Jerusalem
- The National Endowment for Democracy
- National Endowment for Humanities
- The National Institute for Public Policy
- New Zealand Royal Institute for International Affairs
- Middle East Institute
- The Overseas Development Council
- The RAND Corporation
- The Paul H. Nitze School of Advanced International Studies, Johns Hopkins University
- The Sino-Soviet Institute, George Washington University
- The Social Philosophy and Policy Center
- South African Institute of International Affairs, Johannesburg
- Truman Research Institute for the Advancement of Peace, Jerusalem
- The Washington Institute for Near East Policy
- The Woodrow Wilson International Center for Scholars

Reputation in Foreign Policy Community

Mr. Conte: How well regarded is your Institute's work by the national foreign policy community?

Amb. Lewis: There are numerous indications that the Institute's work is being regarded with a healthy and growing respect. Officials for various government agencies, including the Departments of State and Defense, the U.S. Information Agency, and the NSC staff, as well as Congressional staff members and researchers from nearly all the major policy research institutions in Washington, have attended or taken active roles in Institute-sponsored conferences, study groups, or public seminars. Institute publications are well-received by a growing audience. Institute fellows and senior staff members are frequently sought out as contributors to the electronic and print media on a wide range of peace and conflict questions. Informal briefings for executive branch officials and Congressional committees by the Institute's president and by Institute fellows have been very well received. In summary, we believe that the Institute is steadily acquiring a solid reputation in the policy community for the seriousness, relevance, balance, and timeliness of its work.

Interactions with Federal Departments

Mr. Conte: What interactions do you have with the Departments of State, Defense, and the Arms Control & Disarmament Agency?

Amb. Lewis: Officials from the Departments of State and Defense and the Arms Control and Disarmament Agency serve on the Institute's Board of Directors.

Experts at these agencies are consulted as part of the review process for grant applications. Where appropriate, or in response to specific requests, research findings of grantees have been forwarded to officials at State, Defense, and ACDA. Individuals from these agencies have attended work-in-progress talks and other presentations made by Institute grantees.

Several fellows have briefed officials of State, Defense, or ACDA on the findings of their research projects. Executive branch policy-level decisionmakers and staff analysts, as well as Congressional staff, have participated in Institute seminars. Fellows have also interviewed officials of all these agencies in pursuing their fellowship research. Although they are out-of-residence, several Peace Scholars doing research for their doctoral dissertations have come to Washington to talk with government officials, using the Institute as their headquarters for arranging interviews.

Institute Study Groups

With encouragement from senior officials, the Institute has begun a study group series designed to aid government policymakers by examining potential conflicts that lie just beyond the current attention of U.S. government policy analysts. The Institute's aim is to provide policymakers with information, analysis, and possible peacemaking alternatives on potential problem areas well in advance of crises. These study groups will generate brief public reports with both analysis and options for future consideration by the Executive Branch, the Congress, and the interested public.

The study group series was conceived in consultation with the Policy Planning staff of the Department of State. The first study group in the series, on Central and Eastern Europe was conducted between October 10, 1989, and January 8, 1990. The State Department Policy Planning staff had a representative at each of the group's six sessions. In addition, the following U.S. government offices from the Departments of State and Defense were represented:

Department of State
- Office of the Deputy Secretary
- Office of the Under Secretary for Political Affairs
- Bureau of Human Rights and Humanitarian Affairs
- Office of Eastern Europe and Yugoslav Affairs, Bureau of European and Canadian Affairs
- Office of UN Systems Administration

Department of Defense
- Office of the Assistant Secretary for International Security Policy
- Office of the Under Secretary for Trade Security Policy
- Office of NET Assessment
- Policy Planning Staff

A second study group will be launched during the second half of fiscal year 1990, again after consultations with the Policy Planning staff and other government officials. Two more study groups are planned for fiscal year 1991.

The staff of the research and studies program frequently exchanges information with the staff members of numerous agencies. In addition, representatives of a number of Executive Branch and Congressional offices have attended public

sessions of Institute research and studies projects on low-intensity conflict and deterrence, and public workshops on such topics as negotiating chemical weapons control; development and peace; democracy, war, and peace; the possibilities for pluralism in Central and Eastern Europe; and "The End of History?"

Distribution of Institute Publications

The Departments of State and Defense and the Arms Control and Disarmament Agency regularly receive Institute publications for distribution among their various offices. The State Department's Bureau of Public Affairs has agreed to distribute Institute publications, on a case-by-case basis, to an international list of 1,050 key officers and to a general mailing list of 30,000.

Library Cooperation

The Director of the Institute's Library Program has initiated discussions regarding cooperation between the Institute's library and those at the Arms Control and Disarmament Agency and the Foreign Service Institute of the Department of State. We are looking forward to a productive working relationship between the Institute and the libraries of these and other government agencies in the future.

German Reunification

Mr. Conte: I'm sure you are in the thick of things with the truly revolutionary changes in Eastern Europe. Do you have people looking into the implications of German reunification?

Amb. Lewis: Yes, German reunification was discussed during a four-hour Institute seminar on "The Future of Europe: European Perspectives and U.S. Policies," held February 15, 1990. Three Institute fellows presented papers on the implications for the future political architecture of Europe of changing U.S.-Soviet relations, the changes in Eastern Europe, German unification, and the European Community. The future of NATO, the Warsaw Pact, the EC, and the CSCE, and other related institutions were among the subjects addressed by Distinguished Fellow (and former Foreign Minister of the Netherlands) Max van der Stoel, Peace Fellow (and expert on Germany) Lily Gardner Feldman, and Peace Fellow (and former Czechoslovak official) Milan Svec. About 40 staff analysts from executive agencies, Washington think tanks, and Congress participated in this discussion.

Supported by an Institute grant, Dr. Robbin Laird of the American Institute for Contemporary German Studies is analyzing the implications of German reunification within the context of a broader examination of the evolution of the European security structure. Professor Robert Art of Brandeis University is supported by a grant to study the evolving role of a unified Germany in the NATO alliance. Additionally, as part of our 1990 solicited grant program, the Institute is inviting proposals for projects on Central and Eastern Europe that will among other things examine the impact of reunification on economic and political relations between Germany and other European states and between Germany and the superpowers.

The Institute is planning a public workshop on the subject of German reunification to occur sometime in September 1990. This workshop will likely address the implications of German reunification for the newly democratic nations of Central and Eastern Europe.

Mr. Conte: With the overall lessening of tensions between the superpowers and the apparent decline of the immediate threat of nuclear war, is there still a concern over regional use of nuclear weapons and the continued proliferation of nuclear arms?

Amb. Lewis: It may well be the case that the most worrisome nuclear issues of the 1990s arise in the area of regional conflicts. For a long while, the proliferation of nuclear weapons seemed to be proceeding slowly and, in fact, to have reached a plateau 15 or 20 years ago. In the past several years, however, there has been a disturbing acceleration—and precisely among countries party to ongoing regional conflicts. The acceleration has been characterized not only by increases in the number of countries attempting to acquire nuclear weapons technology and the speed with which they were proceeding, but by increased attention to delivery systems.

The acquisition of ballistic missile capability by parties to ongoing regional conflicts has been a dramatic recent development and must heighten our fear that nuclear weapons will be used sometime, somewhere. The problem of nuclear weapons in regional conflicts is also linked to the problem of chemical and biological weapons, as the one is conceived to be the deterrent to the other, and as the same delivery technology can be used for both. Because of the potential use of nuclear and chemical weapons in conflicts heretofore only conventional in character, all of this combines to form an immensely complicated set of problems.

The Institute of Peace has joined these issues in a number of ways. In January 1989, the research and studies program held a public workshop on the feasibility of negotiating chemical and biological weapons control. During that workshop, the linkage of chemical and nuclear weapons issues in regional conflicts came up early and remained a principal item of discussion. Thereafter, we resolved to do more work on this problem and introduced it into the design for our continuing working group on "Deterrence after the Intermediate Nuclear Forces Treaty."

The Deterrence working group focuses on problems of war-avoidance at a time when superpower tensions are diminishing. One of the initial conclusions we have arrived at is that the "nuclear" scene is shifting very much in the direction of regional confrontations. Accordingly, we have designed a two-day session of the working-group to address the problems of deterrence in regional conflict settings. We will also hold a related conference at Tel-Aviv University in Israel in August 1990 to address problems of deterrence between Israel and both Syria and Iraq. Thus, we will have our working-group scholars directly address a complex, ongoing regional conflict situation that involves the proliferation problems associated with chemical and nuclear capabilities as well as ballistic delivery systems.

In October 1990, the Institute will also hold a four-day conference on "Conflict Resolution in the Third World," which will include a session on nuclear, chemical, and conventional arms control and proliferation in the context of regional conflict. The conference design recognizes this matter as one of the three or four fundamental issues of future Third World conflict.

Among the grant projects funded by the Institute that address the issue of nuclear proliferation and its links to other regional conflict issues, the following deserve special mention. (1) Dr. Geoffrey Kemp at the Carnegie Endowment for International Peace is examining the relationship between the proliferation of high technology weapons systems and related military hardware, and the prospects for regional arms control in the Middle East and South Asia. (2) At Columbia University, Dr. Stephanie Neuman and her associates are developing and continuously updating a computerized databank on Third World arms production in order to facilitate systematic analysis and monitoring of such activity. (3) Dr. Alan Platt of the Henry Stimson Center is engaged in a study of nuclear proliferation, conventional arms transfers, confidence- and security-building measures, tacit arms control, and new verification technologies, focusing primarily on the Middle East. (4) Professor Barry O'Neill at York University in Canada is analyzing the application of concepts of "escalatory stability" to conflicts in the Third World. He is giving special consideration to cases involving the spread of technologies such as ballistic missiles and chemical weapons. (5) Frederic Pearson at the University of Missouri, St. Louis, and Michael Brzoska, University of Hamburg, are studying the effects of weapons transfers, including those involving nuclear and chemical technologies, and the denial of such transfers before and after the outbreak of violent conflict.

Long-Range Goals

Mr. Conte: Ambassador, what do you envision as the long-range goals of the Peace Institute in the 1990s?

Amb. Lewis: The Institute enters the 1990s poised to make substantial contributions toward a deeper understanding of the potential for successful peacemaking and peacebuilding for government officials, members of Congress, the broader foreign policy community, academia, and the American public at large. With a solid, talented organization in place and an array of programs now well launched, the Institute's potential for real impact is great.

Our long-range goals are inevitably conditioned by realistic projections of available resources. Yet, at a bare minimum, I believe that one or more bloody conflicts somewhere on the globe will have been prevented or halted, with a substantial savings of human life, directly as a consequence of knowledge about peacemaking developed from Institute-sponsored research.

In more concrete terms, the Institute should strive during the 1990s to construct closer, more productive links both to government and to the citizenry; to gather a substantial community of scholars and diplomatic practitioners under our Jennings Randolph Fellowship Program, housed adjacent to a specialized library and data center which will be connected electronically to major library collections in this specialized field around the world; to publish a stream of products from our research grants and our other programs for wide dissemination; to sponsor targeted studies of concrete cases of international conflict ripe for resolution; to work with like-minded institutions in other countries on cooperative projects; to assist other societies to acquire the knowledge and techniques of conflict management and resolution; and to raise the level of understanding among students and publics of the real nature of international violence and the ways it can be reduced.

By the year 2000, I hope the United States Institute of Peace will be internationally recognized as a creative American institution which symbolizes our historic national commitment to the achievement of a less violent, freer, more peaceful international system.

JUSTIFICATION OF THE BUDGET ESTIMATES

UNITED STATES INSTITUTE OF PEACE

BUDGET REQUEST
FISCAL YEAR
1991

February 1990

TABLE OF CONTENTS

I. Introduction With Proposed Appropriations Language 1

Appropriation Request for Fiscal Year 1991
Outline of this Budget Request
Proposed Change to Appropriations Language

II. The Institute In A World of Accelerating Change 4

Challenges for Peace in Today's World
Increasing Importance Of the Institute
Responding to the New Challenges

III. Origins, Congressional Mandate, and Goals 10

IV. Funding History 12

Authorizations and Appropriations
Table: Authorization and Appropriation History
Operating Budgets
Table: Operating Budgets

V. Organization and Staffing 14

Table: Personnel Summary
Organization Chart--Fiscal Year 1991(Projected)

VI. Institute Programs 17

General Summary of Program Activities
Table: Obligations by Programs
Program Directions through Fiscal Year 1989
Directions for Fiscal Years 1990 and 1991
Priority Responses to the Changing World
Consolidating and Strengthening Core Programs
Five-year Planning Through Fiscal Year 1994

Justification by Program

–Grant Program 24

Table: Grant Program by Activity and by Object Classification
Table: Grant Program — Obligations — Fiscal Years 1987-1991

–Jennings Randolph Fellowship Program 30

Table: Jennings Randolph Fellowship Program by Activity and by Object Classification
Table: Number of Fellowship Awards

–Research and Studies Program 34

Table: Research and Studies Program by Activity and by Object Classification

–Religion, Human Rights, and Ethics 42

Table: Religion, Human Rights and Ethics by Activity and by Object Classification

–Jeannette Rankin Library Program 45

Table: Jeannette Rankin Library Program by Activity and by Object Classification

–Education and Training 50

Table: Education and Training by Activity and by Object Classification

–Publications and Marketing 56

Table:Publications and Marketing by Activity and by Object Classification

–Public Affairs and Information 60

Table: Public Affairs and Information by Activity and by Object Classification

–Management and Administration 65

Table: Management and Administration by Activity and by Object Classification

Justification by Object Class 67

Table: Fiscal Year 1991 Financial Requirements

–Explanation and Justification of Changes by Object Class-Fiscal Year 1991

VII. President's Fiscal Year 1991 Budget Request 73

Table: Comparison Object Classification: Fiscal Year 1991 President-Institute Requests
Table: Comparison of Personnel: Fiscal Year 1991

VIII. Tables 77

Resource Requirements
Analysis of Appropriated Resources
Salaries and Expenses/Detail of Permanent Positions
Operating Expenses
Trust Fund/Program and Financing

I. INTRODUCTION AND PROPOSED APPROPRIATIONS LANGUAGE

Appropriation Request for Fiscal Year 1991

The United States Institute of Peace requests an appropriation of $9,200,000 for fiscal year 1991.

This request is based on a program-by-program assessment of the appropriate level of funding for the Institute's fifth full year of operation. The amount of $9,200,000 is less than the $9,450,000 the Institute requested for fiscal year 1990 and less than the $10,000,000 level of appropriations authorized for the Institute for fiscal year 1991.

The Institute could responsibly and effectively use the full amount of the $10,000,000 authorization during fiscal year 1991, if such a level of appropriation were feasible. It has proposed the lower level of $9,200,000 to take into account the constraints currently being placed on the federal budget in general.

A "no-growth" budget for fiscal year 1991 would require an appropriation of $7,852,000 (i.e., fiscal year 1990 actual appropriation of $7,550,000 plus a 4.0 percent inflation factor). The Institute's fiscal year 1991 request for $9,200,000 is $1,348,000 (or 17%) more than that no-growth level. While this percentage increase may be unusual in today's budget climate, the Institute believes that this funding level is justified by the juncture of two basic facts:

(1) The world situation has changed so dramatically and continues to change at such a startling rate that the Institute's relevance to the national security interest in peacemaking and peacekeeping is greater than ever.

(2) The Institute has matured as an organization to the point where it can play an even more useful and growing role in helping American policymakers and negotiators and the public in general think through and better understand the effects of these changes.

To restrict Institute funds to fiscal year 1990 levels, or even to a lower level as the President's budget request does (see Section VII), will, on the contrary, mean missing a special opportunity to benefit from the investment already made in the Institute, in a climate that is more conducive to breakthroughs in peace than has existed since 1945 and may not be matched again for many years to come.

Outline of This Budget Request

The remainder of this budget request is designed to support this approach:

Section II describes some of the dramatic changes in the world that affect the Institute's work, explains the increasing importance of the Institute in this context, and outlines the Institute's early responses to these changes.

Sections III and IV present background for any reader not familiar with the Institute's history covering its origins, Congressional mandate, and goals in Section III and its funding history in Section IV.

Sections V and VI provide more details on organization and staffing and on the particular programs planned for fiscal year 1991.

Finally, Section VII describes the impact of funding at the President's budget level and summarizes the case for the Institute to receive the requested fiscal year 1991 appropriation.

Proposed Change to Appropriations Language

The Institute's proposed appropriations language for fiscal year 1991 is as follows:

> For necessary expenses of the United States Institute of Peace as authorized in the United States Institute of Peace Act, as amended, $9,200,000.

II. THE INSTITUTE IN A WORLD OF ACCELERATING CHANGE

Challenges for Peace In Today's World

> *....the Revolution of '89 has been a chain reaction....change so striking that it marks the beginning of a new era in the world's affairs."*
>
> President George Bush,
> State of the Union Address,
> January 31, 1990.

Since the spring of 1989, dramatic events in Europe have indeed transformed the international context for peacemaking. Both the Soviet Union and the United States took steps toward sharply reducing their conventional forces in Europe. In East Germany, Hungary, Poland, Bulgaria, Czechoslovakia, Yugoslavia, and parts of the Soviet Union itself, the long-frozen contours of total political domination by doctrinaire Communist parties began to melt before popular demands for democratic pluralism. Romania's Stalinist dictator was trampled by the pent-up wrath of his people at great cost in human life. New, different regimes continue to emerge, although where events will ultimately lead is far from certain.

These changes in Europe followed soon after moves toward peaceful resolution of a number of third-world conflicts. In a relatively brief period Soviet troops withdrew from Afghanistan, truces reduced or ended fighting in Cambodia and in the Iran-Iraq war, and opposing parties reached agreements over the Western Sahara, in Angola/Namibia, and in Central America. To some observers peace has appeared to be "breaking out all over."

Since the end of World War II, the overriding foreign policy issue for the American people and its leaders has been how to deter Soviet expansionism while avoiding nuclear war. Now, as the United States and the Soviet Union enter a new era in international affairs and the Cold War's premises rapidly fade, this quickening pace of worldwide change demands unprecedented boldness and creativity in thinking about issues of peace and war. Relationships among the United States, other major powers, and

the developing world are shifting fundamentally. The nature of threats to peace and to possibilities for building a more cooperative international system is assuming a more complex character.

As the risk of nuclear war or of a major land war in Europe clearly recedes, prospects for the future remain highly uncertain. Major political upheavals in the Soviet bloc may bring long-desired freedoms to millions of East Europeans and Soviet citizens; but the resurgence of rival nationalisms is stirring old fears and animosities. Western Europe's market integration in 1992 may have even greater economic and political consequences than could be foreseen only months ago. The long-term consequences of political upheaval in the People's Republic of China, symbolized by the dramatic events in Tiananmen Square in June 1989, are far from clear. And as a new century approaches, the specific gravity of Japan and of the Pacific Rim nations in global politics will surely grow apace.

In the Third World, disputes lap over borders as old tensions—many of them religious or ideological in origin—produce new threats to peace. The incidence of internal violence and international conflict is already high. Several non-European powers have acquired the sophisticated weapons and technology necessary to conduct chemical and nuclear warfare. As arsenals in Europe stand to diminish, the already huge stockpiles of tanks, warplanes, and missiles in the Middle East continue to expand. The enormously destructive Iran-Iraq War, which took an estimated 1 million lives, the continuing Palestinian uprising in the West Bank and Gaza and the seemingly insoluble tragedy of Lebanon are all recent examples of the potential for violent conflict in that region. On other continents, Sudan, Ethiopia, Northern Ireland, Sri Lanka, Kashmir, Salvador, Peru, Burma, Punjab—the roll call of violent conflicts stretches on and on.

Even when diplomacy has produced an initial step toward peace—a truce—subsequent events in Afghanistan, Cambodia, Angola, the Persian Gulf, and Central America, all demonstrate that the lasting resolution of conflicts is a far more complex and prolonged process than many imagine. Despite hopeful signs, international violence in many regions of the Third World seems likely to continue well into the 1990s and beyond.

Meanwhile, multilateral bodies—from the United Nations and the World Court to regional organizations like the Committee for Security and Cooperation in Europe—are showing that they can play newer and more constructive roles. As East-West confrontation has eased, the United Nations has played an important part in ending several conflicts in Asia and Africa. It has returned to its original missions of peacemaking and peacekeeping; nurturing the Geneva Accord calling for Soviet withdrawal from Afghanistan; sponsoring and helping to implement the multilateral agreement leading to Namibian independence and the evacuation of Cuban troops from Angola; working successfully for the Iran-Iraq armistice; cooperating with the Organization of American States in Central America; playing a lead role in multilateral negotiations aimed at ending Cambodia's agony. The award of the Nobel Peace Prize to the United Nations Peacekeeping forces in 1988 was an altogether fitting recognition of the role of the "Blue Helmets" in patrolling volatile armistice lines. These trends suggest that international organizations may take on greater importance and responsibilities as more nations seek to work in concert to strengthen the rule of law in international conduct.

Just as traditional forms of diplomacy, negotiation, and sovereignty must be reexamined, so conventional assumptions among foreign policy professionals and the American public about the nature of international threats to world order need serious reconsideration. Resurgent forms of ethnic and religious violence and new forms of transnational conflict differ from traditional aggression across frontiers–but they may be equally destructive to global security. Low-intensity conflict and secret warfare–including the use of terrorism by states, private groups, and revolutionary movements–threaten the international order in new ways that transform the manner in which policymakers, diplomats, and the public must approach questions of peace and security.

Violence sparked by deepening economic deprivation or the cruel flouting of basic human rights, transnational environmental threats, the easy production of such highly destructive new weapons systems as ballistic missiles and chemical weapons, the rapid diffusion of satellite surveillance technology, and other technological leaps in a shrinking world pose new, complex challenges for peacemaking. In short, the next decade may

witness a profound tranformation in world politics, but not necessarily a more peaceful planet.

Increasing Importance of the Institute

As the winds of global change reveal promising opportunities for settling some current conflicts and equally great uncertainty about the future, Congress' decision to establish the United States Institute of Peace has proved to be timely indeed. Entering its fifth full year of operation, the Institute now has in place a range of programs that can help confront these questions. As an independent, nonpartisan, federal institution, the United States Institute of Peace can and should play an important role in helping America's leaders and public address the peacemaking agenda of the decade ahead.

The task of the Institute is to identify and unravel the complexities of that agenda and to help both professionals and the American people not only to understand them more fully, but to apply that knowledge to achieving a more peaceful international order. In a world still afflicted by violent conflicts on every continent, the Institute's role is to enlarge the peacemaking capacity of the United States and others to promote peace with justice and freedom. The Institute's purpose, in short, is not to make peace but to help create better peacemakers and to expand knowledge of the processes leading to a lasting resolution of international conflicts and violence. In pursuing these goals, the Institute strives to relate its work to real-world conditions and to provide insights about peace and peacemaking that are both timely and relevant for those who need them: diplomats, policymakers, the Congress and its staff, scholars, journalists, educators, and the American people in general.

Although scholarly research may seem only distantly connected to the torrid pace of current events, the historical origins of conflict affect the present with ferocious intensity. Lebanon, Northern Ireland, Southern Africa, the West Bank and Gaza, Cambodia, and Ethiopia are but a few such examples of deeply rooted current conflicts. Both the scholar's patient review of the forces of history and the experienced diplomat's practical reflections on that history can assist current negotiators and a concerned public.

Responding To The New Challenges

The Institute now gives high priority to strengthening its capacity for examining current or impending conflict situations and for reinforcing present trends toward liquidation of the Cold War. It will direct more resources toward projects that take advantage of the Institute's unique ability to serve as a bridge between operational agencies of the Executive Branch and private scholars in this country and abroad. To this end, the Institute will employ a combination of program mechanisms including workshops, conferences, study groups, solicited grants and, if appropriate, contract research.

The Institute recently initiated this approach with respect to problems of Central and Eastern Europe, looking out 3 to 5 years into the future, with a mixed study group of scholars and practitioners. Similar projects for other policy concerns are scheduled for fiscal year 1991.

The Institute is also currently developing two cooperative projects with the Soviet Union to address: (1) contrasting perceptions of the origins of the Cold War, and (2) ways to advance democratic governance and the rule of law in the U.S.S.R.

Early in fiscal year 1991, the Institute will (1) sponsor a conference on conflict in the Third World based largely on the work of Institute grantees, fellows and consultants, and (2) hold a small, high-level working conference on problems of German reunification involving European and American scholars and statesmen.

- A Detailed Example: Central and Eastern Europe

  As Soviet political and military control recedes, what are the long-run prospects for peaceful, democratic development in Central and Eastern Europe, the cluster of countries consisting of Albania, Bulgaria, Czechoslovakia, the German Democratic Republic, Hungary, Poland, Yugoslavia, and Romania? What are the possible diplomatic and policy options for heading off resurgent violence and enhancing human rights in that historically factious region?

The Institute, with encouragement and cooperation from the Policy Planning staff at the Department of State, undertook in mid-1989 a study aimed at generating answers to these questions. The study will analyze potential conflict situations in Eastern Europe over the next 5 years. As events in that region accelerated at a dizzying pace, more than 60 experts—a mix of active and retired policymakers and diplomats and leading scholars—participated in the study group's six sessions. The product will be a public report for U.S. policymakers and other interested audiences to be produced in March 1990.

III. ORIGINS, CONGRESSIONAL MANDATE AND GOALS

The United States Institute of Peace is the youngest national institution created by Congress as a reflection of America's commitment to a peaceful world dignified by justice and freedom. The Institute's immediate forebears are the Peace Corps and the Arms Control and Disarmament Agency, both established a quarter-century ago, in 1961. The Institute traces its lineage to the proposal made in 1793 by Dr. Benjamin Rush and Benjamin Banneker in Banneker's Almanack and Ephemeris that the Constitution provide for a "peace office." Through many proposals over the years, particularly during the decades before and after World War II, the idea of a national educational institution devoted to fundamental questions of peace among nations persisted.

Congress established the Institute in October 1984 in a bipartisan action. It directed the Institute to explore the broadest possible agenda, from basic questions of peace and war to dissections of specific disputes, and to develop and disseminate many types of information from this work, from practical handbooks to scholarly essays. In the words of the United States Institute of Peace Act [section 1702(b)]:

> It is the purpose of this title to establish an independent, nonprofit, national institute to serve the people and the Government through the widest possible range of education and training, basic and applied research opportunities, and peace information services on the means to promote international peace and the resolution of conflicts among the nations and peoples of the world without recourse to violence.

Congress made three basic decisions that have fundamentally shaped the Institute's development. First, it set the Institute outside the daily political realm of national policymaking and insulated it from political pressures without releasing it from public accountability[1]. Second, it pointed the Institute toward

---

[1]Because the Institute's funding derives solely from federal appropriations and because all expenditures must be accounted for to Congress, congressional oversight is guaranteed. See sections 1705(g), 1708(h), 1701(b) and 1712 of the United States Institute of Peace Act, Appendix E. The Board is explicitly bipartisan, as no more than eight members may belong to the same political party. Section

educational endeavors and away from direct intervention in international disputes. Third, it barred the Institute from receiving private contributions, so the Institute is funded wholly by federal appropriations. Legislative history supports the conviction that the United States Institute of Peace was intended by Congress to be a national institution and that adequate federal funding is essential.

Within this broad legislative mandate, the Institute has established three approaches to achieve its goals:

- Expand basic and applied knowledge about international conflict and peace by sponsoring serious research.

- Disseminate such information to those who can best use it in policymaking, diplomacy, journalism, research and teaching, citizen education, and allied pursuits.

- Promote informed public discussion and understanding of the complex nature of international conflict and peacemaking.

To accomplish its goals, the Institute employs a variety of programmatic means authorized by the statute to pursue its broad goal of strengthening the nation's capacity to promote the peaceful resolution of international conflicts. They include fellowships;[2] formal and informal institutional relationships;[3] in-house research and studies;[4] public outreach;[5] university program support;[6] training, symposia, and continuing education programs;[7] publications and other information dissemination;[8] library and data information services[9]; and grants and contracts.[10]

1706(c). To implement the audit requirements of section 1708(d) & (g), the Institute has retained the services of the accounting firm of Ernst & Young.

[2]Id. §1705(b)(1).

[3]Id. §1705(b)(2)

[4]Id. §1705(b)(3).

[5]Id. §1705(b)(4).

[6]Id. §1705(b)(5).

[7]Id. §1705(b)(6).

[8]Id. §1705(b)(7)-(8).

[9]Id. §1705(b)(5), (b)(8), and (c)

[10]Id. §1705(c). In addition to the extensive and varied list of instruments toward which the Act directs the Institute's Board, Congress included, in section 1705(1), general operational authority under which additional kinds of programs could be initiated.

IV. FUNDING HISTORY

Authorizations and Appropriations

The following table sets out the authorization and appropriation history of the United States Institute of Peace. It shows by fiscal year the authorization of appropriations for the Institute,[11] the President's budget requests, the Institute's budget requests,[12] actions by each House of Congress, and appropriations (before and after adjustments).

AUTHORIZATION AND APPROPRIATION HISTORY
(in thousands of dollars)

Fiscal Year	Authorization	Admin Funding Request	USIP Funding Request	House Allowance	Senate Allowance	Appropriation Before Adjustments	Adjustments	Final Appropriation
1985	6000	—	—	—	—	4000	—	4000
1986	10000	—	—	—	—	—	—	—
1987	6000	1250	—	***[13]	1250	625	—	625
1988	10000	3310	10000	-0	5000	4308	(18)[14]	4290
1989	10000	3376	8604	***[15]	8000	7000	(84)[16]	6916
1990	10000	6916	9450	6916	8000	7650	(100)[17]	7550
1991	10000	7270	9200	—	—	—	—	—

[11] In the Act of October 31, 1988, Public Law 100-569, Title III-UNITED STATES INSTITUTE OF PEACE, 102 Stat. 2862, 22 U.S.C. 4609, Congress amended section 1710 of the United States Institute of Peace Act and provided for authorizations of appropriations for five years as follows: fiscal year 1989, $10,000,000; fiscal year 1990, $10,000,000; fiscal year 1991, $10,000,000; fiscal year 1992, $15,000,000; and fiscal year 1993, $15,000,000.

[12] As an independent establishment of government outside the executive branch, Congress empowered the Institute to take funding requests directly to Congress and directed that such budget proposals be provided to the Office of Management and Budget for comment at the time they are transmitted to Congress. Section 1709(a).

[13] Item not included in House Appropriations Bill because of the absence of authorization for higher education programs at the time of mark-up.

[14] The fiscal year 1988 Labor-HHS-Education appropriations measure directed the Office of Management and Budget to reduce overall funds available, according to travel items. The Institute's share was $18,000. Public Law 100-202, section 512.

[15] Item not included in House Appropriations Bill because of the absence of authorization for higher education programs at the time of mark-up.

[16] The fiscal year 1989 Labor-HHS-Education appropriations measure directed an across-the-board cut of 1.2 percent, reducing the Institute's available funding by $84,000. Public Law 100-436, section 517.

[17] Application of the Gramm-Rudman-Hollings sequester provision reduced the Institute's final fiscal year 1990 funding level by $100,000. (Public Law 99-177)

Operating Budgets

The Institute's operating budget for each fiscal year includes (1) the final appropriation for that year as indicated above, plus (2) any funds carried over from the preceding year, and (3) interest earned on funds transferred to the Endowment of the United States Institute of Peace[18] and miscellaneous receipts (e.g. sales of videotapes).

As indicated in the table below, the Institute has had operating budgets of $4,325,000 in fiscal year 1987, $5,467,000 in fiscal year 1988, $7,291,000 in fiscal year 1989, and $8,013,000 in fiscal year 1990. As in fiscal year 1989, it is anticipated that the full budget for fiscal year 1990 will be obligated or firmly committed by the end of the year and that there will be no significant carryover into fiscal year 1991.

OPERATING BUDGETS
(in thousands of dollars)

Fiscal Year	Final Appropriation	Carryover & Interest	Operating Budget
1985	4000	---	4000
1986	---	4000	4325
1987	625	3700	5467
1988	4290	1177	7291
1989	6916	177	8013
1990	7550	463(Estimate)[19]	9440
1991	9200 (Request)	240(Estimate)	

[18]In September 1987, the Institute's Board of Directors established the Endowment of the United States Institute of Peace in the District of Columbia as a complementary corporation to the Institute sharing the same directors and officers and operating for the same purposes, with the additional authority to invest funds. Section 1704(c). Pursuant to section 1710(b), the Institute Board is authorized to transfer appropriated funds to the Endowment. See also Biennial Report of the United States Institute of Peace—1987, pp. 27-28, notes and pp. 61-67. As the Board transfers unobligated or unexpended funds from the Institute's Treasury account to the Endowment's account, which presently is in the National Bank of Washington, the funds become "no year" monies, and do not lapse. The Board has directed the Institute's president to implement a conservative investment policy, placing Endowment funds only in federally-secured accounts or invested in federally-guaranteed securities, such as Treasury bills.

[19]Includes funds available from one-time deobligations of prior year funds and estimated interest earned on investments.

V. ORGANIZATION AND STAFFING

As an independent nonprofit corporation, the Institute is governed by a 15-member Board of Directors, 11 appointed from the public by the President and confirmed by the Senate and 4 Executive Branch officials who serve *ex officio*.

The Institute's organization and planned staffing for fiscal year 1991 is shown on the chart on page 16. During fiscal year 1989, the Institute made two significant changes in its organization:

(1) The Education and Public Information Program functions were divided among three separate units: (a) Education and Training; (b) Publications and Marketing; and (c) Public Affairs and Information.

(2) The position of Senior Scholar for Religion, Human Rights and Ethics has been established and filled in order to strengthen the Institute's capability to conduct projects in these important areas.

The Institute's full-time permanent staff positions numbered 34 at the close of fiscal year 1989 and are projected to total 39 at the end of fiscal year 1990 and 42 in fiscal year 1991. FTE's totalled 36 for fiscal year 1989 (less than the 37 projected last year) and are projected at 42 and 46 for fiscal years 1990 and 1991.

PERSONNEL SUMMARY

	FY 1989 (Actual)	FY 1990 (Estimate)	FY 1991 (Estimate)
Full-Time Permanent Positions	34	39	42
Compensable Work Years (Full-time equivalent employment)	36	42	46

The Institute is making every effort to limit growth of staff to the bare minimum necessary to manage its more diverse and expanded programs now in place. Careful monitoring of these programs is essential to assure proper oversight. That monitoring function, plus the labor-intensive nature of several programs, makes necessary a limited staff increase for fiscal year 1991, commensurate with the increased program levels contemplated in

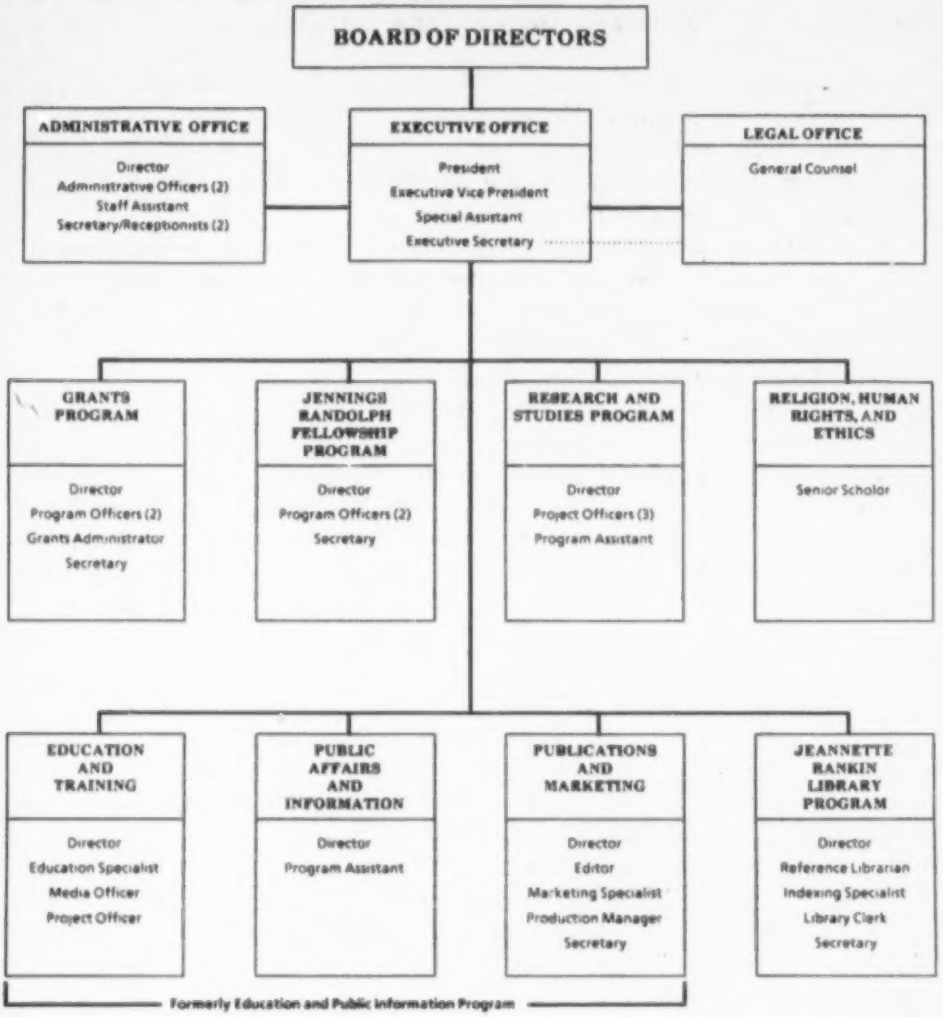
this budget submission. A level of 42 full-time positions and 46 compensable work years for fiscal year 1991 is critical to successful operations.

This increase of three full-time positions from fiscal year 1990 to fiscal year 1991 represents additions of one position to the Education and Training Program and two to the Library Program. Both of these labor-intensive areas have grown significantly during the past year and are projected to continue doing so through fiscal year 1991. In order to save personnel costs and to hold permanent staff positions to an absolute minimum, the Institute uses short-term, part-time and intermittent employees whenever possible. Therefore, the staffing pattern necessarily includes four more compensable work years (FTE's) than permanent positions. This permits maximum efficiency of project management with minimum personnel.

ORGANIZATIONAL CHART

Full-Time Permanent Positions

FISCAL YEAR 1991 (Projected)



The total number of full-time permanent positions not including consultants and part-time/temporary positions is 42

January 1990

VI. INSTITUTE PROGRAMS

General Summary of Program Activities

As instruments to accomplish its goals, the Institute has established the following programs and activities:

- Grants;
- Jennings Randolph Fellowships;
- Research and Studies;
- Religion, Human Rights and Ethics
- Jeannette Rankin Library; and
- Education and Public Information, which, as noted above, has been reorganized into the following separate units:

  - Education and Training;
  - Publications and Marketing; and
  - Public Affairs and Information.

Although these program activities are organized largely by types of delivery mechanism (e.g. grants, fellowships, and library), a number of cross-cutting themes have received attention in more than one program. Much of the Institute's activities can be summarized according to the following topics, each of which is described in greater detail in Appendix A.

Negotiations Research
Conflict Management and Negotiation Training
Conflict Resolution, including diplomatic, foreign policy, and non-governmental, and behavioral approaches
International Law
United Nations and International Organizations
East-West Relations
Arms Control
Deterrence
Soviet Union and Eastern European Affairs
Regional Conflicts
    General
    Africa
    Middle East
    South Asia
    East Asia

Latin America and Caribbean
Northern Ireland
Domestic Regimes and International Behavior
Terrorism and Low-Intensity Conflict
Origins of Violence
International Development and Economics
Pacifism and Peace Movements
Religion and Ethics
Human Rights
Education
Pre-collegiate
College/university
General public
Library and Information Services

OBLIGATIONS BY PROGRAMS
(in thousands of dollars)

	FY 1988 Actual	FY 1989 Actual	FY 1990 Estimate	FY 1991 Estimate
Grants	2352	3275	2618	3138
Jennings Randolph Fellowships	992	1100	1210	1582
Research and Studies	217	403	720	731
Religion, Human Rights and Ethics	-	-	119	155
Education and Public Information	618	901	1666	2061
Education and Training	-		*773*	*1133*
Publications and Marketing	-		*727*	*735*
Public Affairs and Information	-		*166*	*193*
Jeannette Rankin Library	8	219	367	386
Management and Administration	1243	1367	1313	1387
TOTAL	5430	7291	8013	9440

Program Directions Through Fiscal Year 1989

In its first years the Institute launched the grant and fellowship programs with some greater initial emphasis on research and publication projects than on other aspects of the Institute's congressional mandate, such as education and public information services. In those early stages of both programs the Institute invited applications without limiting the topical areas to be addressed, beyond requiring that the proposed work should fall within the Institute's broad mandate regarding peace, war and international conflict.

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As a next stage in program development, the Institute sought to (a) define more precisely in advance a larger part of the work that it would sponsor or itself conduct, and (b) increase the relative emphasis on education and public information with the goal that, in time, investment in these activities would be approximately the same order of magnitude as research and studies activities.

As steps towards defining more of the scope of its projects in advance, the Institute added a solicited grant component to its Grant Program which previously had operated exclusively on an unsolicited basis. The Institute also established its own Research and Studies Program to conduct studies that the Institute itself would direct. To increase the emphasis on education and public information, the Institute sought to encourage grant applications in these areas, expanded its public outreach efforts, and established its Library Program.

During fiscal year 1989, two circumstances affected the Institute's actual allocation of funds: (1) both the grant and fellowship programs continued to grow vigorously and produced more meritorious applications than had been anticipated, and (2) the other new initiatives--the research and studies, education and public information, and library programs--developed more slowly than expected. Consequently, the Institute funded substantially more grants and some additional fellowships.

Directions for Fiscal Years 1990 and 1991

Now in fiscal year 1990 both the research-oriented and the education-based programs have developed momentum and grown significantly, and all are well prepared to utilize more funds productively. At the same time the amount of funding available for overall program growth in fiscal year 1990 is much less than was the case in fiscal year 1989. Furthermore, the Institute has committed itself to undertaking several new initiatives based on the changed world situation (see Section II above) and also must devote funds to publication of works developed during past years.

To adjust to this natural program growth and to new needs the Institute in fiscal year 1990 is:

(a) substantially reducing the funds available for both grant awards and fellowship stipends even though the number and quality of their applications continues to grow, and

(b) increasing the funds allocated to its Research and Studies Program and education, outreach, publications, and library programs.

At the $9.2 million level appropriation requested for fiscal year 1991, the Institute will divide its efforts between (1) priority projects designed to respond to the changing world situation, and (2) the consolidation and strengthening of its regular core programs.

Priority Responses to the Changing World (as described in Section II)

In response to the changes in international affairs described in Section II, the Institute will devote more funds than previously planned to the following priority areas:

Central and Eastern Europe
Soviet Union, including relations with the United States and with its own nationality groups
Latin America
Regional conflicts in general
Other priority topics emerging over the next year

For this purpose the Institute will direct its existing programs more into these areas:

- The priority study groups first launched in fiscal year 1989 to address policy oriented topics selected in consultation with the Department of State will be expanded. Possible topics for future groups include: (i) the rule of law and constitutionalism as well as issues related to nationalities within the Soviet Union, and (ii) selected issues relating to peace and security in Latin America.

- The Institute will continue the series of projects being developed in cooperation with the Soviet Union.

- Selection of residential fellows in 1990 and 1991 will be made with special attention to areas of dramatic change in the world.

- Solicited grants will address critical issues in Eastern Europe and Latin America in 1990 and other critical areas of concern in fiscal year 1991.

- Early in fiscal year 1991, the Institute will sponsor two special conferences (i) one in Europe on issues of German reunification, and (ii) a second in Washington on issues of regional conflict.

- An Institute working group will examine up to half a dozen key conflicts involving religion throughout the world, (in such locations as Sri Lanka, the Ukraine, Iran, Lebanon, Nigeria, and the Sudan).

Mounting these activities will require an increase in overall funding, some redirection of existing funds for the Research and Studies and Grant Programs and a slower rate of increase in education, outreach and library programs.

Consolidating and Strengthening of Core Programs

•**Grants**--A reduction of total obligations during fiscal year 1990 from the level of fiscal year 1989; then resumption of slow growth in fiscal year 1991; greater emphasis in selecting topics in advance that are related in practical terms to specific conflicts.

•**Fellowships**--A reduction in number of fellows from fiscal year 1989 to fiscal year 1990 and then a resumption of growth in the number of residential fellows as a core activity of the Institute with emphasis on priority areas as described above; further strengthening of library support available to fellows.

•**Research and Studies**--Primary responsibility for the priority study groups and conferences described above; expansion of the Institute's network of relationships with experts throughout the United States; development of contract research for more intensive investigation of critical

topics. Major effort in developing periodic report on the state of world peace which will provide a more systematic basis for monitoring of changes in world conflicts from year to year.

•**Religion, Human Rights and Ethics**--As described above, concentration by a working group on up to half a dozen key conflicts involving religion throughout the world.

•**Education and Training**--Continued development of video and other media projects to reach high school students and other public audiences; and focus on selected national organizations with proven capacity for outreach on peace and security issues to their constituencies, teacher training programs, and community colleges.

•**Library Services**--Continued expansion of the Institute's library core collection and initial development of a national network of collections and data bases designed to offer comprehensive coverage for all topics central to concerns for international peace and conflict management.

•**Publications and Marketing**--Production of an increasing number of books, monographs and occasional papers.

•**Public Affairs and Information**--Increased outreach to the general public using Institute-sponsored fellows and other experts.

Five-Year Planning Through Fiscal Year 1994

During 1989 the Institute began a long-term planning process seeking to project its needs for five years through fiscal year 1994. This process is ongoing and is intended to serve more as a management tool than as a forecast of future performance.

To date, this review has addressed overall funding, fellowships and library, and space requirements and has begun to review education and training; preliminary conclusions so far include the following:

(1) The Institute can responsibly use an annual appropriation in the range of $15-18 million by fiscal year 1993.

(2) The Jennings Randolph Fellowship Program and the Jeannette Rankin Library Program should continue to grow in a mutually reinforcing manner so that their combined activity would become the principal intellectual core of the Institute's life.

(3) The number of full-time residential fellows should level off in the range of 20 to 25.

(4) The Institute's library program should be at the heart of the Institute's efforts to disseminate information to both policymakers and the public; the core collection should grow to approximately 25,000 volumes by fiscal year 1993; it should be a technologically advanced information center linked to a network of other libraries and data bases.

(5) Solicited and unsolicited grants could responsibly grow by 10 to 20 per cent per year.

(6) Education, outreach and library programs should continue to grow in relative importance to the point where they receive approximately 50 per cent of the Institute's program funds.

(7) These five-year planning goals suggest that additional space will eventually be needed to accommodate the expanded resident fellows program, more frequent public meetings and working group conferences, and the new space-intensive library program. Possible economic advantages of long-term commitment to ownership of physical facilities will need to be examined.

JUSTIFICATION BY PROGRAM

GRANT PROGRAM
(in thousands of dollars)

By Activity

	1989 Actual	1990 Estimate	1991 Estimate	Net Change '90-'91
TOTAL: Grant Program	3275	2618	3138	+520

By Object Classification

	1989 Actual		1990 Estimate		1991 Estimate		Net Change '90-'91	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
Personnel								
Full Time	3.0	129	4.5	185	5.0	211	+0.5	+26
Other	---	---	---	---	---	1	---	+1
Benefits	---	30	---	42	---	47	---	+5
Total	3.0	159	4.5	227	5.0	259	+0.5	+32
Travel								
Invitational		---		---		---		---
Board		1		1		2		+1
Staff		3		4		6		+2
Total		4		5		8		+3
Rent		28		43		67		+24
Postage		6		4		5		+1
Printing		14		11		15		+4
Other Services		11		11		15		+4
Grants*		3053		2317		2769		+452
TOTAL	3.0	3275	4.5	2618	5.0	3138	+0.5	+520

*Combines grants for (i) research and studies, (ii) education and training, and (iii) information services (including the Library Program).

GRANT PROGRAM

(in thousands of dollars)

Obligations - Fiscal Years 1987-1991*

	FY 1987 Actual	FY 1988 Actual			FY 1989 Actual			FY 1990 Estimate			FY 1991 Estimate		
	Unsol.	Unsol.	Sol.	Total	Unsol.	Sol.	Total	Unsol.	Sol.	Total	Unsol.	Sol.	Total
Research & Studies													
Unsolicited	1035	1101	---	1101	1323	---	1323	861	---	861	800	---	800
Solicited	---	---	336	336	---	765	765	---	706	706	---	900	900
Subtotal	1035	1101	336	1437	1323	765	2088	861	706	1567	800	900	1700
Education & Training													
Unsolicited	255	311	---	311	358	---	358	300	---	300	350	---	350
Solicited	---	---	200	200	---	125	125	---	100	100	---	150	150
Negotiation Training	---	85	---	85	89	---	89	75	---	75	119	---	119
Media	---	47	---	47	50	---	50	50	---	50	50	---	50
Subtotal	255	443	200	643	497	125	622	425	100	525	519	150	669
Information Services													
Unsolicited	77	0	---	0	168	---	168	75	---	75	100	---	100
Solicited	---	---	119	119	---	62	62	---	---	---	---	---	---
Library Program	---	---	---	---	113	---	113	---	150	150	---	300	300
Subtotal	77	0	119	119	281	62	343	75	150	225	100	300	400
TOTAL	1367	1544	655	2199	2101	952	3053	1361	956	2317	1419	1350	2769

*Does not include staff and related costs of program operation.

GRANT PROGRAM

Program Overview

Through its two principal grant-making components—Unsolicited Grants and Solicited Grants—the Grant Program supports scholarship, education, training, and dissemination of information through financial support to nonprofit organizations (including private colleges and universities), official public institutions, and individuals. The program serves all of the Institute's basic purposes—research to expand society's knowledge, specialized support and training for the work of diplomats and other professionals, and better informing the public at large. It was the first Institute program launched and continues as the largest and most administratively developed. It covers the widest range of subject matter and contributes to expanding the Institute's network of institutional relationships with universities and other academic and research organizations throughout the United States and abroad.

Activities Through Fiscal Year 1991

General

Since the beginning of the Grant Program in 1986, the Institute has received a total of 989 (solicited and unsolicited) applications for a total funding request of over $53,000,000. Through fiscal year 1989, the Institute approved 239 grant awards (solicited and unsolicited) for total funding of nearly $7 million. (See Appendix A for descriptions of Institute grants.)

For fiscal years 1990 and 1991 the Institute plans to reduce the grant level compared to fiscal year 1989 in ways that will allow the Institute to (1) fund new initiatives responding to recent changes in the world and take into account other Institute priorities, and (2) devote more resources to monitoring and evaluating existing grants as well as to permit dissemination of promising grant project results. Within the grants that are awarded, the following changes are planned:

- Unsolicited research grants will decline by 35 percent in fiscal year 1990 from $1,323,000 to $861,000, and by an additional 5 percent in fiscal year 1991 to $800,000.

•Solicited research grants will be reduced somewhat in fiscal year 1990 and then increased to an amount 18 percent greater than their fiscal year 1989 level.

•Education and Training grants will be reduced by about 16 percent in fiscal year 1990 and increased in 1991.

•Information Services grants will be reduced by about 35 percent in fiscal year 1990 and then increased in fiscal year 1991. Library grants will increase by 25 percent in fiscal year 1990 and 100 percent in fiscal year 1991 to a level of $300,000.

•Overall solicited grants will increase as a percentage of total grants from about 30 percent in fiscal year 1989 to 49 percent in fiscal year 1991.

The net effect of these changes is that even with the full $9.2 million appropriation requested, (a) research and studies grants will remain below the fiscal year 1989 level; (b) education grants will not satisfy the growing needs of that program; and (c) library grants will fall significantly behind the level projected in the five-year planning exercise described above.

Unsolicited Grants

When the Grant Program was launched in July 1986, initially using only unsolicited grants, the Institute processed all applications on a first-come, first-served basis. To better coordinate the review of grant applications and to increase the efficiency of the review process, in 1989 the Institute adopted a new unsolicited schedule that includes three review cycles annually of four months each.

Solicited Grants

In July 1988, the Institute inaugurated a Solicited Grants component to its Grant Program that allows it to define in advance more of the work that it will sponsor. To date, two such competitions have been held.

In fiscal year 1988, applications were considered on five topics : (1) The Role of Deterrence in Avoiding War; (2) Comparative Study of Armed Conflicts in the Third World; (3) Teaching Public Understanding of the Geneva Conventions; (4) The Relationship Between Different Types of Domestic Regimes and the Aggressive Use of Force Internationally; and (5) Religion, Peace and War.

The solicited grants competition in fiscal year 1989 concentrated on the topic: "Mitigation or Resolution of Regional Conflict: Lessons for Negotiators and Policymakers." Applicants submitted proposals for projects applying the case-study approach to examine historical events--primarily in the post-World War II period--that provided insights for the mitigation or resolution of contemporary or future international conflicts, as well as lessons on pitfalls to be avoided by future negotiators and policymakers.

In fiscal year 1990 the solicited grants competition invites work in the Institute's priority areas and will feature two topics: "Prospects for Conflict or Peace in Central and Eastern Europe" and "War, Peace and Conflict Resolution in Latin America and the Caribbean." The Institute is inviting proposals for projects on Central and Eastern Europe that enhance our understanding of the implications for peace and security of political and economic changes sweeping through the region (Poland, the GDR, Czechoslovakia, Hungary, Yugoslavia, Rumania, Bulgaria, and Albania).

The Institute is also inviting projects on Latin America and the Caribbean that will examine problems threatening advances made in democratic governance during the last decade, and undermining longer term peace and stability in the region. Topics of special interest include: 1) civil-military relations; 2) drug trafficking and narco-terrorism; 3) administration of justice and the rule of law; and 4) international political economy and regional security.

Grant Products

Institute grants have to date produced 6 books, 5 published monographs, and 32 published articles. In addition, the Institute

has received 9 book-length manuscripts, 13 monographs, 33 articles, 2 simulations, 2 sets of curriculum material, a directory guide to peace research in Western Europe, and a conference report on peace and security in the Asia-Pacific region.

JENNINGS RANDOLPH FELLOWSHIP PROGRAM
(in thousands of dollars)

By Activity

	1989 Actual	1990 Estimate	1991 Estimate	Net Change '90-'91
TOTAL: Fellowship Program	1100	1210	1582	+372

By Object Classification

	1989 Actual		1990 Estimate		1991 Estimate		Net Change '90-'91	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
Personnel								
Full Time	2.0	88	3.9	151	4.0	170	+0.1	+19
Other	3.2	77	1.3	13	---	1	-1.3	-12
Benefits	---	22	---	28	---	39	---	+11
Total	5.2	187	5.2	192	4.0	210	-1.2	+18
Travel								
Invitational		21		25		28		+3
Board		---		2		2		0
Staff		2		3		4		+1
Total		23		30		34		+4
Rent		97		144		174		+30
Postage		6		4		5		+1
Printing		13		28		138		+110
Other Services		27		134		133		-1
Supplies		1		2		3		+1
Fellowships		746		676		885		+209
TOTAL	5.2	1100	5.2	1210	4.0	1582	-1.2	+372

JENNINGS RANDOLPH FELLOWSHIP PROGRAM

Program Overview

The Jennings Randolph Fellowship Program provides fellowship stipends and supplementary support to enable outstanding scholars, statesmen, diplomats, other professionals and university doctoral students to conduct research and education projects focused on the nature of international conflict and methods for achieving peace. **Distinguished Fellows** are eminent scholars and practitioners with careers marked by extraordinary achievement. **Peace Fellows** are persons in varied careers who show substantial accomplishment and/or promise of future leadership. **Peace Scholars** are outstanding students in university doctoral programs who are undertaking dissertation research that advances the state of knowledge about international peace and conflict management. Fellows in the first two categories generally work at the Institute's offices. Peace Scholars are based at their universities.

Activities Through Fiscal Year 1991

In fiscal year 1987, the Institute initiated the fellowship program by the appointment of eight Distinguished Fellows, three of whom were in residence at the Institute. Through fiscal year 1989, the Institute had agreed to fund a total of 14 Distinguished Fellows, 15 Peace Fellows and 22 Peace Scholars. (See Appendix D for a description of the fellowship recipients in fiscal years 1987, 1988 and 1989).

As noted earlier in this section, the Institute's plans are to gradually expand the number of residential fellows to about 20 to 25. However, under the pressure of budget constraints, the Institute plans to reduce the number of fellows selected in fiscal year 1990 and then to resume growth in the program in fiscal year 1991. As noted previously, selection of residential fellows in 1990 and 1991 will be made with special attention to areas of dramatic change in the world.

JENNINGS RANDOLPH FELLOWSHIP PROGRAM
Number of Fellowship Awards

	FY 1987 (Actual)	FY 1988 (Actual)	FY 1989 (Actual)	FY 1990 (Estimate)	FY 1991 Estimate)
Distinguished Fellows	8	3	3	2	3
Peace Fellows	-	8	7	6	8
Visiting Fellows	-	-	-	-	2
Subtotal	8	11	10	8	13
Peace Scholars	-	10	12	10	10
Total	8	21	22	18	23

The Program provides in-house services for its fellows--e.g., library resources, research assistance, and clerical help--that are needed to facilitate the research or other projects. Procedures to monitor the fellows projects, as well as programs to engage the fellows in Institute-sponsored workshops and other public education and outreach efforts, both at the national level and locally, were also inaugurated in fiscal year 1989 and are being considerably expanded in fiscal year 1990.

The work of the fellows appointed so far is beginning to bear fruit in publications as well. Through fiscal year 1989, Institute fellows completed and published 1 book, 3 journal articles, 3 newspaper articles, and 2 Ph.D. dissertations. In addition, approximately 19 books, 8 monographs or reports, 5 journal articles, 3 newspaper articles, 20 dissertations, and one public television documentary are being prepared. These works cover such diverse subjects as a global survey of ethnic and religious minorities at risk of conflict; a multi-volume summary and evaluation of lessons, progress and contributions to date from the field of conflict resolution; regulatory and enforcement powers that might be given to an international chemical weapons authority; legal and ethical norms that apply to national emergency powers in situations of conflict;

ethnic and territorial conflict in the Horn of Africa and other regions of the world; the future of NATO; and the implications of changes in the Soviet Union for world peace.

In addition, the Program plans to add a new category, Visiting Fellow, which will allow statesmen and other outstanding individuals to come to the Institute for periods of two to four months to carry out projects at the Institute in interaction with policymakers, professional groups, or publics. Two such Visiting Fellows will be appointed beginning in FY 1991.

During fiscal years 1990 and 1991, the program will continue to give priority to expediting completion of the projects of the growing number of fellows appointed to date, to publishing their diverse written products, and to conducting seminars and other activities aimed at disseminating the results of the fellows' work to policymakers and the public.

RESEARCH AND STUDIES PROGRAM
(in thousands of dollars)

By Activity

		1989 Actual	1990 Estimate	1991 Estimate	Net Change '90-'91
Activity 1:	Priority Study Groups - Prospects for Peace in Central and Eastern Europe, etc.	---	79	95	+16
Activity 2:	Cooperative Projects with Soviet Union	---	94	116	+22
Activity 3:	Conferences on (1) German Reunification and (2) Causes of Regional Conflicts and Prospects for Regional Peace	32	26	104	+78
Activity 4:	Intellectual Map Study of Approaches to International Peace	45	44	---	-44
Activity 5:	Study on Strengthening the United Nations System to Meet the Challenge of Low-Intensity Conflict	94	95	57	-38
Activity 6:	Public Workshop Series	109	148	95	-53
Activity 7:	Working Group on Peace and Deterrence after the Intermediate Nuclear Forces Agreement	31	94	91	-3
Activity 8:	Report on the State of World Peace	32	140	173	+33
Activity 9:	Study on Causes of Peace and War	30	---	---	---
Activity 10:	Working Group on Religion, Ideology, and Peace	30	*	*	*
TOTAL		403	720	731	+11

By Object Classification

	1989 Actual		1990 Estimate		1991 Estimate		Net Change '90-'91	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
Personnel								
Full Time	4.8	168	4.9	182	5.0	192	+0.1	+10
Other	0.8	22	1.3	27	1.3	21	0.0	-6
Benefits		42		38		44		+6
Subtotal	5.6	232	6.2	247	6.3	257	+0.1	+10
Travel								
Invitational		26		94		45		-49
Board		2		8		6		-2
Staff		4		15		10		-5
Subtotal		32		117		61		-56
Rent		34		55		70		+15
Postage		5		2		2		0
Printing		3		82		126		+44
Other Services		97		217		215		-2
TOTAL	5.6	403	6.2	720	6.3	731	+0.1	+11

*Activity transferred to Religion, Human Rights, and Ethics

RESEARCH AND STUDIES PROGRAM

Program Overview

To complement its research grants and fellowships for organizations and individuals, the Institute established its own in-house Research and Studies Program during the second half of fiscal year 1988.

In this program, the Institute designs projects, then supervises their implementation with the assistance of expert consultants and/or contract researchers. Program activities are generally designated as working-group projects, studies, or public workshops. Working-group projects will run for one year or longer and proceed through four or more public sessions. Such projects involve a core group of expert participants carried over from session to session. Studies are conceived on the same scale as working groups; however, expert participation will vary from session to session. Public workshops are individual three-hour monthly events designed for group discussions. (For more details about projects in the Research and Studies Program, see Appendix A).

As part of its priority response to new world conditions, in late fiscal year 1989 the Institute launched a new type of research project, the Study Group series. In this project, the Institute gathers scholars, diplomats, and both present and former policymakers in a series of intensive group discussions on possible future conflict situations of special concern to the Department of State and other policymakers. The first such Study Group, which spans fiscal years 1989 and 1990, deals with Central and Eastern Europe.

The Research and Studies Program is scheduled to increase by about 75 percent from fiscal year 1989 to fiscal year 1990, principally because of the new priority activities being launched and the printing and other costs for papers and books that will be ready for publication.

Description of Program Activities Through Fiscal Year 1991

Study Group - Future Prospects for Conflict or Peace in Central and Eastern Europe

Conceived in consultation with the Policy Planning staff of the U.S. Department of State, this project is the first of an ongoing series of study groups and reports on potential conflicts that lie just beyond the current attention of U.S. government policy analysts. The Institute's aim is to provide policymakers with information, analysis and possible peacemaking alternatives on potential problem areas well in advance of crises. These study groups will generate brief public reports with both analysis and options for future consideration by the Executive Branch, the Congress, and the interested public.

Design and planning for this project was begun during the late spring of 1989, well before the dramatic upheavals in the region had occurred, and an expert consultant was engaged. Six one-half day sessions were held between early October 1989 and early January 1990; the final report will be published in March 1990. In view of the onrush of events and their crucial significance for the United States, the Institute has decided to follow up this study group with a continuing Eastern European Study Project, to continue throughout fiscal years 1990 and 1991. Although modest in cost, the study project will allow the Institute to monitor closely events in Central and Eastern Europe, convene meetings of experts (at six-month intervals) to review and update its March 1990 report, plan Public Workshops, and undertake contract research.

A second study group and report is projected for the second half of fiscal year 1990 on a topic yet to be selected after consultation with the Policy Planning Staff and other interested U.S. officials. Among subjects under consideration are the Soviet nationalities problem, regional peace and security issues in Latin America, Japan's evolving role in Asian security, and German reunification. During fiscal year 1991, the Institute plans to conduct two such study groups and to produce two more study group reports.

Cooperative Projects to be Undertaken by the Institute and Soviet Official Entities

During fiscal year 1990, the Institute plans to cooperate with the Research Coordination Center of the Soviet Ministry of Foreign Affairs (USSR) in a historical research project on the origins of the Cold War. The purpose of the project is to compare historical perspectives and to generate new U.S. and Soviet scholarship on the decisive events of 1945-50. It is hoped that this effort will assist in the positive evolution of U.S.-Soviet relations by dispelling historical misperceptions about the crucial early Cold War years.

During fiscal year 1990, the Institute and the Center will sponsor a three-day working conference of eminent Soviet and American scholars and historians in Moscow. The group will then meet with senior Soviet officials to discuss its findings and their implications for Soviet-American relations. Shortly thereafter, the group will reconvene in Washington for similar meetings with senior American officials. The Institute will publish a report on the proceedings.

A similar working conference on another topic, again involving U.S. and Soviet scholars and officials, will be convened by the Institute and the Center in Washington, D.C. early in fiscal year 1991.

Also in collaboration with the Departments of State and Justice and the United States Information Agency, the Institute is helping to arrange a project involving U.S. experts on constitutionalism and the rule of law and Soviet experts involved in the movement for legal reform in the Soviet Union. The group will meet in Moscow in March 1990 to address such topics as the separation of powers and checks and balances, judicial review, enforcement of judgements, federalism, and liberties and criminal justice and due process.

Conferences on (1) German Reunification and (2) the Causes of Regional Conflict and Prospects for Regional Peace

(1) German Reunification: Prompted by certain conclusions from the study group on Central and Eastern Europe (see above), the Institute plans to convene a small, high-level working conference

in Europe early in fiscal year 1991. American and European scholars and officials will examine key aspects of the accelerating drive for German reunification and their implications for future peace and security of Central Europe. Conclusions will be furnished to U.S. and European policymakers and publics.

(2) Regional Conflicts: The Institute had earlier planned to conduct a "Working Group on Third-Party Mediation of Regional Conflicts," originally scheduled to begin in fiscal year 1989 with three conference sessions and to be completed with an additional conference session and editorial work in fiscal 1990. Since a similar project was undertaken by one of the Institute's Peace Fellows beginning in September 1989, the concept of this project has been reworked. During fiscal year 1990, design and planning (including a one-day pre-conference session with major participants) will prepare for a major three-day conference on the Causes of Regional Conflict and Prospects for Regional Peace. The conference will highlight research being conducted by a number of the Institute's grantees and fellows on this topic. It will include a wide variety of scholars and policymakers and will take place early in fiscal year 1991. The conference will be followed by editorial work and contract research that will produce two major publications of the Institute: the proceedings of the conference and a book of essays on the subject.

Intellectual Map Study of Approaches to International Peace

This project, initiated in December 1986 and complete in its public conference aspects in June 1988, will culminate during fiscal year 1990 with publication by the Institute of a volume of essays on various approaches to international peace. Although the project continues to inspire the entirety of the Institute's program and follow-on events may be contemplated, no further activity is budgeted for fiscal year 1991.

Study on Strengthening the United Nations System to Meet the Challenge of Low-Intensity Conflict

This project will produce two books on the threat to world order and the UN Charter system from the various types of low-intensity conflict, and on international legal and political remedies to the problem of "violent peace."

In all, this study will run through ten sessions spanning fiscal years 1988-90. Six two-day meetings have been held thus far, (one in fiscal year 1988, three in fiscal year 1989, and two in fiscal year 1990), which have generated 19 essays and twice that many written comments. Over a hundred scholars and policy experts have taken part and two of the essays have already appeared in major foreign affairs publications. During fiscal year 1990, two additional sessions will be held and editorial work will be completed on the first of two volumes of essays. No additional sessions are contemplated for fiscal year 1991; however, editorial work on the second volume of essays will be completed.

Public Workshop Series

Begun in August 1988, this series of three-hour public events on timely questions of conflict and peace has run through eleven events (two in fiscal year 1988, eight in fiscal year 1989, and one in fiscal year 1990). Topics have included the history of thinking about arms control; pacifism and citizenship; the U.S. nongovernmental effort for peace, 1984-88; the meaning of Munich fifty years later; the feasibility of negotiating chemical weapons control; the relationship between development and peace; democracy, peace, and war; the crisis in Marxism-Leninism and the ascendancy of liberal democracy (the "end of history"), the possibilities for pluralism in Eastern Europe, and basic issues in conflict and peacemaking for Latin America.

Further workshops are planned for fiscal years 1990 and 1991 at one to two-month intervals. Topics under consideration include the future of political pluralism, the rule of law, and ethnic strife in Eastern Europe; the Soviet nationalities problem; the "peace dividend;" the current Soviet crisis and the crisis in Western Sovietology; the role of drugs in international conflict in Latin America; and the relationship of the breakdown of Latin American justice systems to the prospects for peace in that region.

Working Group on Peace and Deterrence after the Intermediate Nuclear Forces Agreement

This project addresses the fundamental theoretical and empirical issues related to deterrence in its nuclear and conventional aspects. No assumption regarding the utility of deterrence and alternatives to it in conflict prevention will be left unchallenged.

The extensive preparation necessary for this eighteen-month project was completed in fiscal year 1989 with the completion of the project design and engagement of an editor/rapporteur as a consultant to the Institute. One conference session has been held and three more are planned for fiscal year 1990. Another two conference sessions and completion of all editorial activity are planned for fiscal year 1991.

Report on the State of World Peace

The Report on the State of World Peace will provide scholars, policymakers, and the general public a handy reference to the current level of international conflict and on governmental and nongovernmental efforts to control and end ongoing conflicts.

The complex design and planning process for the Institute's production of a periodic report on the global state of conflict and peacemaking proceeded through fiscal year 1989. The first volume of this project—covering calendar year 1989—will be commissioned and completed (but for its actual printing) during fiscal year 1990. A consulting editor will be engaged and twelve to fifteen specialists will be put under contract to work on regional conflict and peacemaking surveys. In addition, a consultation meeting involving a half-dozen experts will be convened to refine the design of the statistical sections of the volume.

During fiscal year 1990, the Institute has also been consulting with a panel of international legal experts to review a feasibility study for a separate publication: a survey of violations of the UN Charter prohibition against aggressive use of force.

During fiscal year 1991, the Institute will publish the first edition of the Report on the State of World Peace and compile and edit the second—for calendar year 1990. This process will again involve the contract services of a consulting editor and eighteen to twenty-one research specialists.

Study on Causes of Peace and War

Due to the rapidly changing European situation and consequent reordering of research priorities, planning for this basic study of

the causes of international conflict and their relation to one another was deferred. The Institute now plans to begin this eighteen-month project in fiscal year 1992.

Working Group on Religion, Ideology, and Peace

Reflecting the Institute's creation of a separate program on Religion and Peace, description of this working group—originally slated to be administered by the Research and Studies Program—may be found under the new program description in the section which immediately follows.

RELIGION, HUMAN RIGHTS AND ETHICS
(in thousands of dollars)

By Activity

	1989 Actual	1990 Estimate	1991 Estimate	Net Change '90-'91
TOTAL	---	119*	155*	+36

By Object Classification

	1989 Actual FTE	1989 Actual Amount	1990 Estimate FTE	1990 Estimate Amount	1991 Estimate FTE	1991 Estimate Amount	Net Change '90-'91 FTE	Net Change '90-'91 Amount
Personnel								
Full Time	---	---	0.9	55	1.0	66	+0.1	+11
Other	---	---	---	---	---	---	---	---
Benefits	---	---	---	6	---	13	---	+7
Total	---	---	0.9	61	1.0	79	+0.1	+18
Travel								
Invitational		---		11		12		+1
Board		---		---		---		---
Staff		---		2		3		+1
Total		---		13		15		+2
Rent		---		14		18		+4
Postage		---		---		1		+1
Printing		---		2		8		+6
Other Services		---		29		34		+5
TOTAL	---	---	0.9	119	1.0	155	+0.1	+36

*Includes Working Group on Religion, Ideology, and Peace transferred from Research and Studies Program.

RELIGION, ETHICS AND HUMAN RIGHTS

Program Overview

This program, inaugurated late in fiscal year 1989, is developing Institute activities on matters of religion, ethics and human rights. These include research projects, cooperation with individuals, organizations and agencies concerned with these subjects, and representing the Institute at conferences, in educational settings and at other outreach activities devoted to these topics. The research and writing undertaken will underscore and elaborate on the significance of the subjects of religion, ethics, and human rights for international peace and security.

Activities Through Fiscal Year 1991

The duties of the Senior Scholar filling this role include selecting and directing the Working Group on Religion, Ideology, and Peace, which has been one of the working groups under the Research and Studies program. This project has now been designed to focus on a number of current conflicts and is part of the Institute's priority response to the changing world situation. It will assess religion and ideology, and in particular intolerance and discrimination, as sources of international conflict and will give special attention to the prospects for peaceful international dialogue on topics of religious and ideological contention. The candidates for case studies include Sri Lanka, the Ukraine, Iran, Lebanon, Nigeria and the Sudan. Originally, design, planning, and three conference sessions were intended for fiscal year 1989. While design and planning did proceed, the first conference session was pushed forward to fiscal year 1990. A total of three conference sessions are planned for fiscal year 1990, with four more planned for fiscal year 1991. Their results will be published by the Institute.

Other activities involve the Senior Scholar's regular participation in programs on international peace and justice at university campuses (e.g. three-day visit to the University of North Dakota to give lectures and participate on panels with respect to human rights, national security and the United Nations, and a conference on morality and international affairs held at the Ditchley Foundation in England). He has also been a key participant in public workshops sponsored by the Institute in Atlanta, Austin, and Honolulu during fiscal years 1989 and 1990.

Along with developing the Institute's relationships with religious and educational leaders concerned with peace, the Senior Scholar is responsible to help identify other related topics of special saliency and urgency to the future work of the Institute.

JEANNETTE RANKIN LIBRARY PROGRAM

(in thousands of dollars)

By Activity

	1989 Actual	1990 Estimate	1991 Estimate	Net Change '90-'91
TOTAL: Library Program*	245	367	386	+19

By Object Classification

	1989 Actual FTE	1989 Actual Amount	1990 Estimate FTE	1990 Estimate Amount	1991 Estimate FTE	1991 Estimate Amount	Net Change '90-'91 FTE	Net Change '90-'91 Amount
Personnel								
Full Time	1.5	73	2.7	117	5.0	165	+2.3	+48
Other	0.6	32	0.3	29	0.0	0	-0.3	-29
Benefits		16		19		33		+14
Total	2.1	121	3.0	165	5.0	198	+2.0	+33
Travel								
Invitational		---		1		4		+3
Board		---		---		---		0
Staff		3		6		5		-1
Total		3		7		9		+2
Rent		27		32		40		+8
Postage		2		1		2		+1
Printing		8		50		14		-36
Other Services		43		36		32		-4
Supplies and Materials		23		11		11		0
Furniture and Equipment		18		65		80		+15
Grand Total	2.1	245	3.0	367	5.0	386	+2.0	+19

*Grants for the Library Program are included in the information services component of the Grant Program.

JEANNETTE RANKIN LIBRARY PROGRAM

Program Overview

The Institute's library program is being designed to meet a critical need in making available information important to the work of diplomats and other practitioners, scholars, and the public on the central problem of how to resolve international conflicts without violence. The program is envisioned as an international resource center with activities that reach far beyond its walls.

The Institute's Library Program includes four major components:

First is the development of a working research library to support the work of the Institute's staff and fellows. Over time this resource library will become a major national and international focal point for the search for knowledge about the management of international conflict. It will be a technologically advanced information center linked with other libraries and information centers in the United States and elsewhere. Using shared cataloguing, online databases, and advisory relationships with scholars and information specialists, the library seeks to avoid unnecessary redundancy while enabling significantly increased access and information exchange for scholars and policymakers addressing problems of international peace and conflict. In addition to developing this core collection at the Institute, the program provides library assistance to Institute fellows and personnel via cooperative arrangements with specialized libraries in the greater metropolitan area and the national interlibrary loan system.

Second, the program is examining the question of information access through the Library of Congress classification and subject heading systems. This activity seeks to respond to two types of complaints from publishers, cataloguers, and others responsible for the mechanics of information retrieval: (a) much of the information relevant to the management of international conflict is difficult to unearth; and (b) the peace field is often regarded in overly narrow terms that restrict the utility and appreciation of available and new information.

Third, the program is helping to develop a national network of information centers, similar to the National Library of Medicine

model, which will provide support to a number of libraries and information centers with related collections and specialized holdings. To build this network the Institute will use grants to the libraries for the improvement of collections, database construction, and the establishment and refinement of a variety of networking tools, many computer based, which are now defining the library world. These will include linkages via online access to remote catalogues, full text retrieval via CD-ROM technology, and compilation of bibliographic databases.

Fourth, an oral history program based on the experiences of individuals directly involved in the process of resolving international conflict is being developed. Care is being taken not to duplicate subjects in other programs, with emphasis being kept on the peacebuilding and peacemaking aspects of each person's work.

A preliminary five-year plan for the program through fiscal year 1994 and a collection development plan for the Institute library was drafted in fiscal year 1989 and will be reviewed and revised further during fiscal years 1990-91. This plan includes within its five-year goals a core collection of 25,000 volumes, an archived collection, developed systems to improve access to materials related to international conflict, computerized databases, plus the traditional functions of a special library and support for Institute fellows and staff.

The Institute budget request for fiscal year 1991 represents a slowdown of at least one year in meeting these five-year goals, which called for a core collection of 8600 volumes and a staff of seven by the end of fiscal year 1991. The total funding indicated for library grants in the description of the Grant Programs above is also less than projected in the five-year plan; even at the indicated level, it will not permit the development of a national network of libraries as rapidly as previously projected.

Activities Through Fiscal Year 1991

Core Library Collection

Maintained on the Institute's premises, the library currently houses about 1750 volumes and 80 periodical titles. By the end of fiscal year 1991 it will include about 5000 volumes and 150

periodical titles. This collection will continue to be supplemented by acquisition of titles from the Gifts and Exchange Program of the Library of Congress. The Institute's online catalogue and dedicated OCLC terminal will support daily interlibrary loan service and online database searching. Utilizing the FEDLINK cooperative purchasing system of the Library of Congress, the Institute will permit user-access to the Institute's online catalogue and remote access to other systems.

The Guides to Library of Congress Subject Headings and Classification on International Conflict Resolution and Peace

The Library of Congress subject headings and classification schedules are used by most college, university, and research libraries in this country and are designed to cover all fields of knowledge. In cooperation with the Library of Congress, the Institute has compiled lists from these subject headings (together with cross references) related to the Institute's area of concern. Wherever possible, an indication has been given of the appropriate classification number for the subject headings. In addition a compilation has been made of all sections of the system needed to classify materials on international conflict resolution and peace including portions of the classification schedules for philosophy, religion, ethics, economics, psychology, sociology, history, political science, international relations and international law, military and naval science. This project, begun in fiscal year 1989, will produce a book in early 1990 that will include a text explaining the use of these schedules. These compilations, published in a single volume, will greatly facilitate the work of researchers and librarians and have the additional effect of focusing attention on previously-neglected areas of collection development.

Grants and the Development of a National System

As first steps in developing the specialized national library system, the Institute is preparing guidelines for grant applicants in two primary areas of library support. The first set of guidelines concerns collection development and networking tools for significant special collections. Up to two existing collections with particular strengths in the Institute's subject area will be identified as the first parts of the national system. Agreements will be made which will provide the Institute with access to the

online catalogues of these libraries and bibliographic support. In return, these network centers will be given development support to further strengthen their collections and to provide the electronic communication system which will tie the centers together and to the Institute.

The second set of guidelines currently being developed apply to grants for the compilation of databases designed to support the research of the Institute. Building on the knowledge gained from the construction of relatively small files of discrete subject areas, more general bibliographic databases will be funded which will serve the needs of scholars nationally and internationally.

Oral History

Basic to the development of this project has been an effort begun in fiscal year 1989 and to be completed in fiscal year 1990 to identify all the existing collections in the United States which include tapes preserving the experience of outstanding diplomats, public officials and other negotiators and peacemakers. A database of these existing histories will be the foundation for the Institute's own collection efforts and will be available at the Institute for researchers.

Publications and Other Library Program Activities

The Institute is preparing compilations of books on international conflict that are available in libraries in specific metropolitan areas. In fiscal year 1989 the Institute produced a publication of 500 titles, Checklist: Titles on Peace, Security, and International Conflict Resolution, Libraries in the Greater Atlanta, Georgia Region. A similar publication of 1000 titles has been produced for Austin, Texas on the occasion of an Institute outreach program in that area, and more of these bibliographies will be produced for other areas in fiscal year 1991.

EDUCATION AND TRAINING
(in thousands of dollars)

By Activity

		1989 Actual	1990 Estimate	1991 Estimate	Net Change '90-'91
Activity 1:	Educational Program Development	---	88	115	+27
Activity 2:	National Peace Essay Contest	222	211	219	+8
Activity 3:	Educational Television and Other Media Programming	233	474	799	+325
Activity 4:	Educational Curriculum Development and Training	*	*	*	*
Activity 5:	Institute Publications	242	**	**	**
Activity 6:	Educational Outreach Activities	108	**	**	**
Activity 7:	Dissemination of Institute Materials	96	**	**	**
TOTAL		901	773	1133	+360

By Object Classification

	1989 Actual		1990 Estimate		1991 Estimate		Net Change '90-'91	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
Personnel								
Full Time	3.2	154	2.8	116	4.0	179	+1.2	+63
Other	2.4	63	0.3	17	0.0	0	-0.3	-17
Benefits		36		22		27		+5
Total	5.6	253	3.1	155	4.0	206	+0.9	+51
Travel								
Invitational		16		16		18		+2
Board		---		---		---		---
Staff		7		4		4		0
Total		23		20		22		+2
Rent		48		32		53		+21
Postage		19		7		8		+1
Printing		187		48		48		0
Other Services		326		468		750		+282
Supplies		1		3		4		+1
Furn & Equip		8		---		---		---
Scholarships		36		40		42		+2
TOTAL	5.6	901	3.1	773	4.0	1133	+0.9	+360

*Grants for this and other educational activities are included in the educational and training component of the Grant Program.

**Activities are now part of the Publications and Marketing and/or Public Affairs and Information Programs.

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EDUCATION AND TRAINING PROGRAM

Program Overview

Institute educational activities are designed to enhance public understanding of the complex nature of the search for peace with freedom and justice. The immensity of that task requires targeting special audiences and using limited resources in ways designed to produce maximum multiplier effects.

Priority audiences for the Institute's educational activities thus far have been high school students and teachers, college and graduate students and faculty, nonprofit organizational and other opinion leaders, and members of the general public with an interest in international affairs. Programs utilize public television and videos, teacher training, curriculum development, print publications, organizational networks and an essay contest. The Institute supports outstanding educational projects not only through the competitive unsolicited grant mechanism, but also by inviting exceptionally promising grant opportunities for development in cooperation with voluntary organizations already effectively engaged in constituency education.

The Institute is also supporting through several grants the strengthening of pre-service and in-service training for professionals in international relations policy making and diplomacy, including negotiation. The Institute plans to support and/or conduct an increasing volume of such training activities in the years ahead, as resources and opportunities permit.

As noted previously, education and training grants will be reduced by 16 percent in fiscal year 1990 and then increased in fiscal year 1991 to only a small increase over the level for fiscal year 1989.

Activities Through Fiscal Year 1991

Educational Television and Video Programs

The Institute has developed several different approaches to the utilization of the powerful television medium. The Institute's one hour educational television program "Face-To-Face", on the history of US-Soviet summit meetings, was broadcast by more than one

third of the public television stations in the country. It was also the basis for a package of four half-hour videos accompanied by an instructional text for use by teachers and community organizations. Building on this experience, the Institute decided to take advantage of the new accessibility of the nation's schools to television by developing an educational series attuned to the needs and interests of high school teachers in such courses as American History, European History and peace studies. In order to achieve this goal the Institute is testing the concept of a series of segmented 30 minute videos, tentatively titled "Breaking the Mold," focusing on individuals who have made exceptional contributions to peacemaking. With VCRs increasingly plentiful in schools across the country, the teacher can select the full half hour or a shorter segment to meet existing course needs.

In the first phase of the project, a prototype half-hour is being produced. The reactions of representative groups of teachers and high school students are being gathered and evaluated before any decision is made to proceed with the Institute's plans for development, production and distribution to schools of a series of such half-hour videos via public television, cable television and by mail order. If the decision is made to proceed, up to three additional half-hour videos are projected in fiscal year 1990 and up to five in fiscal year 1991.

While the foregoing television projects are managed by the Institute, support for a few carefully selected outside productions has also been provided on an experimental basis. Thus, supported by an Institute grant, the Southern Center for International Studies is developing an educational video and print package for schools, colleges and civic groups derived from its televised Annual Report of former U.S. Representatives to the United Nations. Also, a grant to the Close Up Foundation is providing support for the development of supplementary high school classroom materials based on a C-SPAN cable television series produced by Close Up titled "Perspectives on Peace." Finally, a Jennings Randolph Peace Fellow is producing a program series for public television providing a historical analysis of the rise and decline of Communism as a factor in world affairs. Jointly sponsored by BBC-TV and WNET-NY, the series will eventually be repackaged for classroom use.

Market research conducted by Close Up and as part of the Institute's proposed "Breaking the Mold" series suggests strong but, as of yet, unsatisfied high school teacher interest in high quality video and print materials on peacemaking and the United States role therein. There is, as well, a perceived need for more and better teacher education in the complexities of international relations and peace.

Other Curriculum, Materials Development and Teacher Training Activities

The Institute has made grants on a competitive and highly selective basis to a wide variety of postsecondary and other educational institutions to develop texts and other materials, courses, seminars, and teacher training activities. Among the recipient institutions are Alderson-Broaddus College, West Virginia (teacher training); Carnegie Council on Ethics and International Affairs, New York (printed teacher training materials on ethical issues); Columbia University (teaching materials and teacher education on human rights and peace); Consortium on Peace Research, Education and Development, Virginia (curricular development, faculty training and regional and national network development); George Fox College, Oregon (college level case study text book); Luther College Nobel Prize Committee, Iowa, (curriculum development), Mississippi State University (course development and teacher training); University of Missouri, St. Louis (curriculum development and teacher training); National Association of Evangelicals, Illinois (materials, curricula and a correspondence course); New Hampshire Council on World Affairs (teacher training); University of Hawaii Institute for Peace (curriculum development and teacher training); University of Pittsburgh, Pennsylvania (case studies for classroom use); Stanford University, California (curriculum development); Washington and Lee University (Virginia--educational film on the international legal and political implications of Cambodian genocide); and Whittier College (California--innovative/classroom instruction simulations for college and secondary school students and workshops for community groups on the complexities of international negotiations).

Strategic Educational Outreach

In view of the disparity between available resources and the Institute's goal of a contribution over time to American civic understanding of the complexity of "peace," a continuing effort is made to identify projects offering exceptional "high multiplier" opportunities. This approach is pursued not only through the types of activities described above which assist teachers at the school and college level, both directly and indirectly, but also through projects designed to stimulate and reinforce relevant civic education efforts of organizations at the national level. Grants to the American Federation of Teachers and the Council for the Advancement of Citizenship are illustrative.

The American Federation of Teachers, building on its highly successful Education For Democracy Project, will produce what is expected to be a powerful and constructive critique of global education and peace education. The objective is to engage educators at all levels in a systematic effort to enhance the quality of the scholarship undergirding the influential teacher training and materials generated by that movement in order to ground global and peace education activities more firmly in democratic values and historical perspective, thereby strengthening the civic education dimension.

The Alliance for Education on Global and International Studies is a cooperative effort among many organizations to raise educational standards. Complementing the American Federation of Teachers project, Institute support will help develop guidelines for quality and balance. The guidelines will be reflected in instructional materials, curriculum resource centers and teacher education programs.

In another approach to the same end, an Institute grant in fiscal year 1988 to the Council for the Advancement of Citizenship (CAC) is helping to generate a novel international relations and peacemaking component in all CAC civic education materials and programs for its 80 member organizations ranging from the American Association of Retired Persons to the Girl Scouts of America. In 1989, for example, the program at the Council's annual conference, the Jennings Randoph Forum, considered the topic "Educating for Peace: Realities, Rights, Responsibilities."

Subject to changes arising from the planning effort referred to below, the Institute expects to continue a moderate expansion of the educational grant program in fiscal year 1991.

Essay Contest

In its second year, the National Peace Essay Contest again attracted student participation across the country and from overseas American high schools. State first-place winners again were brought to Washington for a three-day stay, which this year included an international conflict simulation exercise and other learning opportunities. The Contest has received high praise from state governors, members of Congress, and local education officials in a number of states. The Contest will be repeated in fiscal years 1990 and 1991.

Other Activities

In fiscal year 1990 the Director of Education and Training is devoting a substantial amount of time to a more thorough planning of medium and long term strategies in support of the Institute's educational mission than has previously been feasible. In particular, he will seek to identify, define and rank target groups and to develop related programmatic approaches offering the highest probability of results in relation to cost, both in the public education and training fields.

PUBLICATIONS AND MARKETING
(in thousands of dollars)

By Activity

	1989 Actual	1990 Estimate	1991 Estimate	Net Change '90-'91
TOTAL	---	727	735	+8

By Object Classification

	1989 Actual		1990 Estimate		1991 Estimate		Net Change '90-'91	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
Personnel								
Full Time	---	---	4.9	190	5.0	201	+0.1	+11
Other	---	---	---	---	0.5	---	+0.5	---
Benefits	---	---	---	42	---	48	---	+6
Total	---	---	4.9	232	5.5	249	+0.6	+17
Travel								
Invitational		---		2		1		-1
Board		---		---		---		---
Staff		---		8		9		+1
Total		---		10		10		0
Rent		---		55		67		+12
Postage		---		36		29		-7
Printing		---		224		196		-28
Other Services		---		160		179		+19
Supplies		---		5		5		0
Furn & Equip		---		5		0		-5
TOTAL	---	---	4.9	727	5.5	735	+0.6	+8

PUBLICATIONS AND MARKETING

Program Overview

The Publications and Marketing unit addresses the organization's burgeoning publishing and dissemination needs. It provides support for diverse product development--writing, editing, repackaging, graphics and printing. It is also responsible for (1) supporting the development of publications in the Institute's various programs (particularly fellowships and research and studies), and (2) preparing for publication of general Institute periodicals and other materials. It is also responsible for disseminating those materials, as appropriate, to educators, scholars, journalists, policymakers, and citizen groups to enhance their understanding of issues of peace and war. A major goal is to develop a position of stature for the Institute as a substantive source and disseminator of material that contributes to the furtherance of peace.

The costs of publications necessarily represent an increasing claim on Institute funds as the products of activity in previous years move toward publication and distribution. The cost of the publications and marketing unit constitutes about 8 to 9 percent of the total Institute budget; other related costs (principally printing) are included in the budgets for the programs generating the publications and have increased considerably.

Activities Through Fiscal Year 1991

During fiscal years 1990 and 1991, the Institute expects to publish about a dozen books and over 20 occasional papers and monographs, as well as to continue publishing the Institute's Journal, In Brief series, and other corporate materials. To produce this volume of products will require a substantial buildup of the Institute's publications capacity, a process that began during fiscal year 1989.

By the end of fiscal year 1989 the new Publications and Marketing unit had begun assessing and planning for a long-term effort, as well as beginning to implement publication and dissemination of a number of outreach materials. Principal activities included: hiring a director; beginning longer-term planning; developing a publication production schedule; arranging

projects within a new mailhouse/fulfillment contract to support more effective dissemination of materials; and developing relationships with government and private sector scholarly publishers.

In fiscal year 1989, the Institute (1) prepared for publication 12 issues of In Brief, succinct 4 page synopses of Institute sponsored work on topics of interest to scholars, policymakers and others in the peace and security community, and distributed the issues to a list of 2,000; (2) released 5 issues of the 8-12 page United States Institute of Peace Journal, a bimonthly newsletter of substantive content with a circulation of 17,000; and (3) arranged for publication of the Second Biennial Report to the President and the Congress to be published in early 1990.

In addition the Institute edited Approaches to Peace: An Intellectual Map, a 16 chapter manuscript produced by the Research and Studies Program; produced additional corporate support materials--flyers, brochures etc.--to announce special events or to provide more detailed information on the Institute's diverse activities; edited the first of an ongoing series of the Institute's occasional papers, based on the results of the Research and Studies Program Public Workshop series; published for scholars and educators the first of the bibliography series, Checklist, which surveys library holdings on peace, security, and international conflict resolution in the libraries in the Atlanta area.

In fiscal year 1990 the Institute will continue its publications program by:

- Publishing 6 issues of United States Institute of Peace Journal and 24 editions of In Brief;

- Revising and continuing to categorize entries on the Institute's mailing list in order to improve dissemination effectiveness;

- Conducting specialized dissemination/marketing campaigns for Institute products and activities (i.e., annual Essay Contest, public workshops, publications, etc.);

- Quantifying the work and process of the department by improved scheduling, cost analysis, and inventory control;

- Implementing an inventory code system for Institute publications to improve tracking and mailhouse efficiency;

- Continuing to publish a variety of Institute materials, including monographs, bibliographies, brochures, Essay Contest kits, and TV/video support materials, which are of informational value to a diverse audience;

- Printing and disseminating the Institute's first books--Approaches to Peace: An Intellectual Map; and Library of Congress Guides to Subject Heading Classifications.

- Editing and producing additional volumes based on the Research and Studies Program activities and the work projects of the Jennings Randolph Fellows;

- Disseminating the Institute's products and information on its activities to wider and more targeted audiences; and

- Upgrading computer technology in order to enhance timely publication.

Continuing to support the Institute's publishing and dissemination needs in fiscal year 1991, the Publications and Marketing unit will be producing the output of all other Institute programs and disseminating those products to diverse audiences. In order to expand the impact of Institute activities, it also plans to research how selected products may be repackaged and disseminated to a broader range of users.

PUBLIC AFFAIRS AND INFORMATION
(in thousands of dollars)

By Activity

	1989 Actual	1990 Estimate	1991 Estimate	Net Change '90-'91
TOTAL	---	166	193	+27

By Object Classification

	1989 Actual		1990 Estimate		1991 Estimate		Net Change '90-'91	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
Personnel								
Full Time	---	---	2.0	55	2.0	59	0.0	+4
Other	---	---	0.9	26	0.9	26	0.0	0
Benefits	---	---	---	12	---	15	---	+3
Total	---	---	2.9	93	2.9	100	0.0	+7
Travel								
Invitational		---		4		10		+6
Board		---		2		2		0
Staff		---		16		17		+1
Total		---		22		29		+7
Rent		---		35		43		+8
Postage		---		3		3		0
Printing		---		4		8		+4
Other Services		---		7		8		+1
Supplies		---		2		2		0
TOTAL	---	---	2.9	166	2.9	193	0.0	+27

PUBLIC AFFAIRS AND INFORMATION

Program Overview

During fiscal year 1991 the Institute will continue to broaden its efforts to reach new audiences around the country with two main purposes: 1) promoting public understanding and discourse on international peace and conflict resolution through various educational events; and (2) informing citizens about the Institute's work and the resources it offers. In these endeavors the Office of Public Affairs and Information cooperates with institutions which share the Institute's mandate to provide educational and informative programming for the public.

Activities Through Fiscal Year 1991

Speakers

The Institute will continue to respond positively to requests from organizations for speakers about aspects of international peace and the work of the Institute. To date, Board members, staff, and Fellows have visited over 25 states to speak to a variety of audiences. Places visited range from large cities to rural communities. Whenever possible, in cooperation with local hosts, the Institute arranges as many engagements as possible to maximize the effectiveness of the trip. Typically, such trips include lectures at colleges and universities; speeches before civic organizations; meetings with newspaper editors and reporters; and television and radio interviews.

Outreach Programs

In order to maximize the impact of its various outreach functions, in fiscal year 1989 the Institute initiated a series of intensive two-day programs in medium to large sized metropolitan areas, designed to engage core audiences, such as scholars, religious leaders, and librarians, and a good representation of the interested public. In fiscal year 1989, one such program was conducted in Atlanta, Georgia. Austin, Texas was the site for a program in fiscal year 1990, and another is planned for Honolulu, Hawaii in February 1990. Plans are to conduct two of these programs in fiscal year 1991.

The programs consist of specialized workshops for librarians, information specialists, scholars, educators, and civic organizations about support available from the Jeannette Rankin Library Program as well as information on applying for grants and fellowships. Institute staff brief participants on national trends affecting support for research, educational development, and library and information services in the areas of international peace. They also offer suggestions and answer questions about submitting grants and fellowship proposals to the Institute. Participants are asked for suggestions on how the Institute can be most helpful in supporting locally based educational projects.

In addition, each program includes several educational seminars on timely issues such as, "Religion: A Source of Peace and A Source of Conflict," "Morality and Foreign Policy," and "The Role of Unofficial Diplomacy in Conflict Resolution." For Atlanta and Austin, a *Checklist of Titles on International Peace, Security, and Conflict Resolution* contained in area libraries was prepared.

In mounting these programs, the Institute cooperates with numerous and diverse educational organizations. They have included dozens of colleges and universities, Rotary Clubs, chapters of American Association of University Women and League of Women Voters, and World Affairs Councils. For example, in Atlanta 14 institutions of higher learning participated in grant workshops, including one at Morehouse College designed specifically to address the needs of historically black colleges and universities. In Austin, the Institute cooperated with 20 local institutions, ranging from high schools, to seminaries, to the Texas Library Association. These programs tie together all five of the Institute's programs in a complementary fashion.

Portable Programs

To further enhance community education efforts in fiscal year 1991, the Institute plans to develop and test "portable programs" to provide speakers to educational fora on issues affecting international peace. As currently conceived, these programs would be a half-day in length and include two or three Institute grantees or Fellows, speakers from local institutions, films, and educational materials. Intended audiences and locations would be colleges, universities, professional associations, civic groups, and in-service teacher training programs. By standardizing the topics

and format, the Institute expects to minimize the amount of time the staff must devote to planning the programs and reach a wider number of localities across the country.

In the pilot phase, the Institute plans to dispatch up to three teams, each of which would conduct programs in two or more cities over a period of several days. Major consideration of where to send the programs would be the ability of organizers to provide suitable conference facilities; attract large audiences; and arrange additional events for speakers at nearby educational institutions.

Professional Meetings and Conferences

The Institute began a modest effort to participate in professional conferences and meetings, displaying program information and publications and marketing educational video products. At conferences of the American Bar Association, American Political Science Association, International Political Science Association, International Studies Association, American Library Association, United Nations Association, Middle East Studies Association, The American Forum, for example, thousands of people visited the Institute's booth and spoke with staff.

As the amount and diversity of Institute-generated video products and publications continue to grow, representation at an increasing number of conferences is anticipated.

Media Relations

Increasingly, the Institute is becoming known among the media as an organization with a unique mission and, in a complementary fashion, as a source of expert information and background on timely international affairs issues. Articles about the Institute have run in many newspapers across the country, most of which were disseminated widely by Copley News Service, Cox Newspapers, Hearst Newspapers, the *Los Angeles Times-Washington Post* News Service, Media General News Service, and the Scripps Howard News Service. The Institute was also the subject of a feature story on Cable News Network and several staff and Fellows were interviewed for its "Waging Peace" series.

When newspaper reporters and radio and television producers call the Institute, they are referred to Fellows, grantees, staff, and

Board knowledgeable on the topic at hand. To solidify its ability to provide expert assistance to the media, in fiscal year 1990, the Institute will complete a Guide to Specialists covering a small number of staff and Fellows and their areas of expertise.

MANAGEMENT AND ADMINISTRATION

(in thousands of dollars)

By Activity

		1989 Actual	1990 Estimate	1991 Estimate	Net Change '90-'91
Activity 1:	Board of Directors	103	116	124	+8
Activity 2:	Executive	395	348	364	+16
Activity 3:	Legal	102	107	111	+4
Activity 4:	Administrative	155	202	280	+78
Activity 5:	Support Staff	148	42	74	+32
Activity 6:	General Operating Costs	464	498	434	-64
TOTAL		1367	1313	1387	+74

By Object Classification

	1989 Actual		1990 Estimate		1991 Estimate		Net Change '90-'91	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
Personnel								
Full-time	13.2	547	9.7	488	11.0	578	+1.3	+90
Other	1.1	80	1.0	70	1.0	74	.0.0	+4
Benefits		107		89		101		+12
Total	14.3	734	10.7	647	12.0	753	+1.3	+106
Travel								
Invitational		11		11		12		+1
Board		23		29		30		+1
Staff		14		9		9		0
Local		3		4		4		0
Total		51		53		55		+2
Trans of Things		27		30		35		+5
Rent		132		133		164		+31
Telephones		28		38		45		+7
Postage		3		3		3		0
Printing		27		30		32		+2
Other Services		285		260		210		-50
Supplies		36		34		40		+6
Furn & Equip		44		85		50		-35
TOTAL	14.3	1367	10.7	1313	12.0	1387	+1.3	+74

MANAGEMENT AND ADMINISTRATION

The Institute seeks to keep its expenses for management and administration reasonably proportioned to the remainder of its budget. The percentage of the total budget devoted to these expenses has declined from year to year, was 19 percent for fiscal year 1989, and is projected to decline further in fiscal years 1990 and 1991.

Since 1987, the Institute has contracted with the White House Office of Administration to perform many of the Institute's personnel, contracting, and other administrative support services. The Office of Administration, however, has now advised the Institute that it will not be able to provide these administrative services after fiscal year 1990. Consequently, the Institute will try to make such arrangements with another federal organization. This budget request assumes that the Institute will succeed in this effort without an increase in cost and without a need to increase its own staff to compensate for the loss of the Office of Administration's services.

29-886 O—90——46

Justification by Object Class

FISCAL YEAR 1991

FINANCIAL REQUIREMENTS

The program level and expected obligations for Fiscal Year 1991 are $9440 million.

	FY 1990	FY 1991	Change
Total Obligations	8013	9440	+1427

A distribution by object classification is as follows:

Object Classification
(in thousands of dollars)

	1990 Estimate	1991 Estimate	Net Change
Personnel Compensation:			
Full-time Permanent	1506	1821	+315
Other than Full-time Permanent	215	123	-92
Total Personnel Compensation	1721	1944	+223
Personnel Benefits			
Civilian	298	367	+69
Travel and Transportation of Persons	277	243	-34
Transportation of Things	30	35	+5
Rental Payments to Others	543	696	+153
Communications, Utilities and Miscellaneous Charges	98	103	+5
Printing and Reproduction	479	585	+106
Other Services	1322	1576	+254
Supplies and Materials	57	65	+8
Furniture and Equipment	155	130	-25
Grants, Subsidies and Contributions	3033	3696	+663
Total Obligations	8013	9440	+1427

EXPLANATION AND JUSTIFICATION OF CHANGES BY OBJECT CLASS

Fiscal Year 1991

(in thousands of dollars)

PERSONNEL COMPENSATION -- **$1944**

	FY 1990 Estimate	FY 1991 Estimate	Net Change
Full-Time Permanent	1506	1821	+315
Other than Full-Time Permanent	215	123	-92
TOTAL	1721	1944	+223

The **$1944** requested in fiscal year 1991 for Personnel Compensation reflects the following compensation: (1) $1821 for forty-two full-time permanent employees; and (2) $123 for other-than-full-time permanent employees which includes Board Members, part-time, and other short-term intermittent employees.

The additional **$223** requested in FY 1991 for personnel compensation is required for the following reasons: (1) full-year coverage of the 1990 government-wide 3.6 pay increase; and (2) full-year effect of vacancies filled in FY 90 and full year pay costs associated with addition of three full-time staff in FY 90.

PERSONNEL BENEFITS -- **$367**

	FY 1990 Estimate	FY 1991 Estimate	Net Change
TOTAL	298	367	+69

The **$367** requested for personnel benefits includes payments to the OPM Retirement Fund for employees covered under the Civil Service Retirement System, FERS Retirement System payments for eligible employees, FICA and medicare payments, and increased life and health insurance payments for employees who elect such coverage. Also included are payments to private sector benefit carriers for retirement, life and health insurance coverage for employees hired after October 1, 1988.

The additional **$69** requested for personnel benefits represents an across-the-board increase in benefits which is necessitated by increased compensation and due to full fiscal year employment of current and additional staff.

TRAVEL AND TRANSPORTATION OF PERSONS--**$243**

	FY 1990 Estimate	FY 1991 Estimate	Net Change
TOTAL	277	243	-34

The **$243** requested for Travel and Transportation of Persons includes: (1) travel associated with outside individuals' participation in the Institute's program-related workshops, conferences, and other public events, and project-related travel performed by the Jennings Randolph Fellows and Scholars; (2) travel performed by the Institute staff as part of its public outreach and other Institute-related activities, and reimbursement for local transportation in the metropolitan area; and (3) travel by the Institute's Board Members to attend monthly board meetings, Institute workshops and conferences, and other public events sponsored by the Institute and outside organizations.

TRANSPORTATION OF THINGS -- **$35**

	FY 1990 Estimate	FY 1991 Estimate	Net Change
TOTAL	30	35	+5

The **$35** requested covers the usage of United Parcel Service (UPS) and other commercial courier services and transportation companies.

RENTAL PAYMENTS TO OTHERS--**$696**

	FY 1990 Estimate	FY 1991 Estimate	Net Change
Office Rent	530	683	+153
Other Rent	13	13	0
TOTAL	543	696	+153

The **$696** requested for Rental Payments to Others includes the following: (1) an annual rental adjustment for current office space; (2) lease of additional office space; and (3) rental of conference facilities for public activities

COMMUNICATIONS, UTILITIES, AND MISCELLANEOUS CHARGES -- **$103**

	FY 1990 Estimate	FY 1991 Estimate	Net Change
Telephones	38	45	+7
Postage	60	58	-2
TOTAL	98	103	+5

The additional **$5** requested in FY 91 for Communications, Utilities, and Miscellaneous is required to cover increased telephone and postage usage due to increased staff levels and a wider dissemination of Institute publications.

PRINTING AND REPRODUCTION -- **$585**

	FY 1990 Estimate	FY 1991 Estimate	Net Change
Program Printing	479	585	+106
Grants	11	15	+4
Jennings Randolph	28	138	+110
Research and Studies	82	126	+44
Religion and Human Rights	2	8	+6
Library	50	14	-36
Education and Training	48	48	0
Publications and Marketing	224	196	-28
Public Affairs and Information	4	8	+4
Miscellaneous Printing (non program)	30	32	+2
TOTAL	479	585	+106

$585 is requested for Printing and Reproduction. Estimates include the following major printing activities:

(1) **Grants** -- Grants applications and program brochures
(2) **Jennings Randolph** -- Occasional papers, monographs, books, fellowship applications,and program brochures and materials
(3) **Research and Studies** -- Publication of books, occasional papers, and departmental brochures and materials
(4) **Education and Training** -- Essay contest materials
(5) **Publications and Marketing** -- Publication of the bimonthly *Journal* and the *In Brief* research issue papers, and production of miscellaneous Institute brochures and departmental material

OTHER SERVICES -- **$1576**

	FY1990 Estimate	FY 1991 Estimate	Net Change
Program	1062	1366	+304
Grant Program	11	15	+4
Jennings Randolph Program	134	133	-1
Research and Studies Program	217	215	-2
Religion and Human Rights	29	34	+5
Library	36	32	-4
Education and Training	468	750	+282
Publications and Marketing	160	179	+19
Public Affairs and Information	7	8	+1
General (non program)	260	210	-50
Administrative Support Services	125	125	0
Audit Contract	25	25	0
Professional Transcription Services	26	26	0
Maintenance of Office Machines and Equipment	15	15	0
Other Miscellaneous Contractual Services	69	19	-50
GRAND TOTAL	1322	1576	+254

The **$1576** requested for Other Services represents an increase of $254, or 19 percent, over the fiscal year 1990 estimate. The majority of the increases in this category are for contracting and other costs associated with the development of the Institute's new Publications and Marketing activity and expansion of the educational television video project.

The $210 requested for general contracting covers the annual financial audit, reimbursable accounting, financial management, and personnel/payroll services, contracting for technical expertise unavailable in house, and other miscellaneous contracting.

SUPPLIES AND MATERIALS -- **$65**

	FY 1990 Estimate	FY 1991 Estimate	Net Change
TOTAL	57	65	+8

The **$65** requested for supplies and materials covers specialized program supplies and general office supplies.

FURNITURE AND EQUIPMENT -- **$130**

	FY 1990 Estimate	FY 1991 Estimate	Net Change
Furniture and Equipment	95	50	-45
Library Acquisitions	60	80	+20
TOTAL	155	130	-25

The **$130** requested for furniture and equipment will enable the Institute to complete the furnishing of office and library space, purchase additional necessary computer equipment, and to expand the Institute's library collection.

GRANTS, SUBSIDIES AND CONTRIBUTIONS -- **$3969**

	FY 1990 Estimate	FY 1991 Estimate	Net Change
Grants	2317	2769	+452
Jennings Randolph Fellowships	676	885	+209
Scholarships	40	42	+2
TOTAL	3033	3696	+663

The **$3696** requested for Grants, Subsidies, and Contributions will allow the Institute to increase its solicited grants program as well as support unsolicited grants. Grants will be made in the following categories: research and studies, education and training, and information services, which includes library support. The $885 requested for the Jennings Randolph Fellowship Program will allow the Institute to select an estimated 3 Distinguished Fellows, 8 Peace Fellows and 10 Peace Scholars, support two temporary visiting fellows and provide for other fellowship project costs. The $42 requested for scholarships represents awards payments for the annual National Peace Essay Contest winners.

VII. PRESIDENT'S FISCAL YEAR 1991 BUDGET REQUEST

A "no growth" budget for the Institute in fiscal year 1991 would require an appropriation of $7,852,000 (i.e. the actual fiscal year 1990 appropriation plus a 4.0 percent inflation factor). The President's budget request of $7,270,000 actually represents a cut in real terms of $582,000 below the "no growth" level.

The Institute's budget request for fiscal year 1991 is $9,200,000. This represents an increase of $1,348,000 over the "no growth" level. While acutely aware of the difficult overall budget picture this year, the Institute needs these additional funds to respond to requests and opportunities directly related to the rapidly changing international situation, as well as to continue growth of the education, outreach, and library programs described in Section VI.

Consequences of Reduced Funding

If the Institute were funded at a "no growth" level or at the President's even lower level, deep cuts would necessarily be made in new priority programs. The Institute would not be able to address adequately the pressing needs and opportunities created by the extraordinary events of the past year.

The Institute would have to respond in two ways (subject to more detailed review in the light of circumstances prevailing by the last quarter of 1990):

(1) Sharp reductions in new priority programs developed in cooperation with the Departments of State and Justice and the U.S. Information Agency; and

(2) Substantial reductions in plans to expand education and outreach efforts for the American public.

Cuts in Priority Programs (See Section VI.)

These programs would be drastically reduced, in the range of $700,000 to $900,000 as follows:

- Priority policy study groups—reduce from 2 to 1.

- Conferences—reduce from 2 to 1.
- Cooperative projects with the Soviet Union—cut by 50 percent
- Solicited grants directed toward priority topics—cut 50 percent
- Fellowships—eliminate increase in residential fellows selected for their concentration on priority issues
- Religion—cut back working group scope by 50 percent

Cuts in Education and Outreach (See Section VI.)

The Institute would have to curtail efforts to expand its programs in this area in the range of $700,000 to $900,000. Two programs in particular — (a) library and (b) education and training — would be primarily affected. This is because as now projected, they will require significantly increased portions of the budget to accomplish the functions that have been planned for the coming fiscal year. These two programs are central to the Institute's Congressional mandate to reach out to the general public in addition to supporting scholarly research. The library program will measurably increase access to information in the peace field and focus attention to this important area throughout the library world, from specialized to public libraries. Because of the Institute's success in its other programs, public outreach activities now have a solid intellectual and production base from which to work.

The following changes would be made:

- Grants for education and training and for library programs would be severely reduced

- Video programs for use by teachers in secondary school classrooms would be reduced by 50 percent

- Library's core collection would be static; little growth toward 5-year goals for core collection, development of national network, etc.

- Reduced number of community outreach programs

- Deferral of publication and dissemination of some books and reports that will be ready for publication

Staffing Levels

The President's Budget Request includes a projection of personnel that differs from the Institute's plans as follows:

COMPARISON OF PERSONNEL FISCAL YEAR 1991

	USIP Plans	President's Budget Request	Difference
Full Time Permanent Positions	42	42	0
Compensable Work Years (Full Time Equivalent Employment)	46	42	4

The President's proposal does not take into account that, in order to keep the number of full-time permanent positions as low as possible and to operate with maximum cost-effectiveness, the Institute employs some short-term, intermittent, or part-time personnel. The difference of 4 compensable work years is attributable to this factor and is essential for efficient project management. (See Section V above.)

Technical Notes

The Institute understands that OMB's original intention was to maintain the level of the Institute's appropriation for fiscal year 1991 at the same level as the appropriation for fiscal year 1990. At the time the OMB figure was established, Congress had appropriated $7,650,000 for the Institute and it appeared that the Gramm-Rudman-Hollings rules required a further reduction to $7,270,000, reflecting a full year's sequester. Later, however, the reduction required by Gramm-Rudman-Hollings was itself revised, and the final appropriation for the Institute became $7,550,000. By that time, however, no further changes in the President's budget were apparently possible.

Regardless of the level of appropriations, the Institute of course would set aside legally the mandated twenty-five percent for institutional grants and contracts.

UNITED STATES INSTITUTE OF PEACE

COMPARISON OBJECT CLASSIFICATION: FISCAL YEAR 1991 PRESIDENT -- INSTITUTE REQUESTS

(in thousands of dollars)

	1991 Pres. Request	1991 USIP Request	Net Change
Personnel Compensation:			
Full-time Permanent	1722	1821	+99
Other than Full-time Permanent	175	123	- 52
Total Personnel	1897	1944	+47
Personnel Benefits			
Civilian	381	367	-14
Travel and Transportation of Persons	291	243	-48
Transportation of Things	35	35	0
Rental Payments to Others	6	696	+690
Communications, Utilities, and Miscellaneous Charges	45	103	+58
Printing and Reproduction	268	585	+317
Other Services	507	1576	+1069
Supplies and Materials	35	65	+30
Furniture and Equipment	135	130	-5
Grants, Subsidies and Contributions	3670	3696	+26
Total Obligations	7270	9440	+2170

VIII. TABLES

UNITED STATES INSTITUTE OF PEACE

RESOURCE REQUIREMENTS

Personnel

	1989 Actual	1990 Est.	1991 Est.
Total Number of Permanent Positions	34	39	42
Total Compensable Workyears: Full-time Equivalent	36	42	46

Object Classification
(in thousands of dollars)

	1989 Actual	1990 Est.	1991 Est.
Personnel Compensation:			
Full-time Permanent	1159	1506	1821
Other than Full-time Permanent	274	215	123
Total Personnel Compensation	1686	1721	1944
Personnel Benefits			
Civilian	253	298	367
Travel and Transportation of Persons	136	277	243
Transportation of Things	27	30	35
Rental Payments to Others	366	543	696
Communications, Utilities, and Miscellaneous Charges	69	98	103
Printing and Reproduction	252	479	585
Other Services	789	1322	1576
Supplies and Materials	61	57	65
Furniture and Equipment	70	155	130
Grants, Subsidies and Contributions	3835	3033	3696
Total Obligations	7291	8013	9440

UNITED STATES INSTITUTE OF PEACE

Analysis of Appropriated Resources

(in thousands of dollars)

	1989 Actual	1990 Estimate	1991 Estimate
Budget Authority:			
Appropriation	7000	7650	9200
Reduction pursuant to P.L. 100-436	-84	---	---
Reduction pursuant to P.L. 99-177	---	-100	---
Appropriation (adjusted)	**6916**	**7550**	**9200**
Outlays	**7232**	**8029**	**9200**
Compensable Workyears:			
Full-Time	27.7	36.3	42.0
Other than full-time	8.1	5.1	3.7
Total	35.8	41.4	45.7

UNITED STATES INSTITUTE OF PEACE

Salaries and Expenses

Detail of Permanent Positions

95-1300-0-1-153

	1989 Actual	1990 Estimate	1991 Estimate
GS 16	2	2	2
GS 15	3	4	4
GS 14	2	1	2
GS 13	0	1	1
GS-12	8	8	9
GS-11	3	6	6
GS-10	1	1	1
GS-9	0	2	2
GS-8	0	0	0
GS-7	6	6	6
GS-6	2	3	4
GS 5	1	1	1
Subtotal	28	35	38
Ungraded	4	4	4
Total permanent positions	32	39	42
Unfilled Positions, end of year	2	0	0
Total permanent employment, end of year	34	39	42

UNITED STATES INSTITUTE OF PEACE

OPERATING EXPENSES*

For necessary expenses of the United States Institute of Peace as authorized in the United States Institute of Peace Act, [$7,650,000] $7,270,000. *(Departments of Labor, Health and Human Services, and Education, and Related Agencies Appropriation Act, 1990)*

Program and Financing *(in thousands of dollars)*

Identification Code 95-1300-0-1-153		1989 actual	1990 est.	1991 est.
	Program by activities:			
10.00	Total obligations	6,914	7,552	7,270
	Financing:			
21.40	Unobligated balance available, start of year	—	-2	----
24.40	Unobligated balance available, end of year	2	----	----
39.00	**Budget authority**	6,916	7,550	7,270
	Budget authority:			
40.00	Appropriation	6,916	7,650	7,270
40.00	Reduction pursuant to P.L. 99-177	----	-100	----
43.00	**Appropriation (adjusted)**	6,916	7,550	7,270
	Relation of obligations to outlays:			
71.00	Obligations incurred, net	6,914	7,552	7,270
72.40	Obligated balance, start of year	788	477	—
74.40	Obligated balance, end of year	-477	—	—
77.00	Adjustments in expired accounts	8	—	—
90.00	Outlays	7,232	8,029	7,270

The United States Institute of Peace (USIP) was established by Congress to conduct and support reasearch and scholarship in the fields of international peace and conflict resolution. Program activity includes continuing grants and fellowships, publishing research and educational materials, preparing educational video materials, presenting public workshops, developing a research library network, and sponsoring a national student essay contest.

Object Classification *(in thousands of dollars)*

	Personnel compensation:			
11.1	Full-time permanent	1,156	1,508	1,722
11.3	Other than full-time permanent	276	280	175
11.9	Total personnel compensation	1,432	1,788	1,897
12.1	Civilian personel benefits	252	333	381
21.0	Travel and transportation of persons	138	205	291
22.0	Transportation of things	28	30	35
23.2	Rental payments to others	32	10	6
23.3	Communications, utilties and miscellaneous charges	42	35	45
24.0	Printing and reproduction	146	428	268
25.0	Other services	686	934	505
26.0	Supplies and materials	60	60	35
31.0	Equipment	61	159	135
41.0	Grants, subsidies, and contributions	4,037	3,570	3,670
99.9	Total obligations	6,914	7,552	7,270

Personnel Summary

Total number of full-time permanent positions	28	39	42
Total compensable workyears: Full-time equivalent employment	36	42	42

*The tables on this page and the following page are taken verbatim from the President's fiscal year 1991 budget request. See Appendix, Budget of the United States Government Fiscal Year 1991, pp. A-1201 and A-1202.

Trust Fund

GIFTS AND CONTRIBUTIONS

Program and Financing *(in thousands of dollars)*

Identification code 95-8283-0-7-153		1989 actual	1990 est.	1991 est.
	Program by activities:			
10.00	Total obligations	10	----	----
	Financing:			
21.40	Unobligated balance, start of year	-10	----	----
39.00	**Budget authority** (appropriation) (permanent, indefinite)	----	---	----
	Relation of obligations to outlays:			
71.00	Obligations incurred, net	10	----	----
90.00	Outlays	10	----	----

Miscellaneous contributed funds received by gift or contribution from government at all levels are used in furtherance of the Institute's program (Public Law 98-525).

WITNESSES

	Page
Aultman, M.C	579
Backley, R.V	157
Baker, R.L	157
Baker, R.P	623
Barnes, C.R	709
Boehne, K.P	1067
Briggs, E.D	325
Byrnes, Maureen	827
Carney, Bernice	1299
Carvatta, R.J	709
Chamberlain, C.J	1067
Cleary, P.J	709
Crawford, J.D	1067
Darden, Harding, Jr	387
Darling, Ray	785
Davis, Karen	903
DeLury, B.E	623
DeMarco, Fred	191
DeSio, J.E	387
Doyle, J.A	157
Doyle, W.J., III	1231
Durkin, M.P	623
Ford, F.B	157
Foulke, E.G., Jr	785
Frye, D.R	387
Gannon, J.A	325
Gill, W.A., Jr	709
Ginsburg, Paul	903
Hoss, L.A	785
Hunter, J.M	387
Javits, J.M	709
Kenny, J.A	1
Kowalczyk, G.G	1
Larson, P.A	1067
Lastowka, J.A	157
Ledwig, D.E	191
Lewis, Ambassador S.W	1299
Maione-Pricci, M.C	709
Martin, Dr. S.K	521
McKee, Lt. Gen. G.H	579
Merlin, Paul	157
Nelson, C.E	1299
Ohman, E.R., Jr	785
Osborn, J.E	827

	Page
Reid, C.E	521
Reszetar, M.A.H	521
Russell, Ernest	387
Smith, Charles	1299
Stephens, J.M	387
Tenney, Paul	785
Trayers, Col. J.L., Jr	579
Truesdale, J.C	387
Vincent, L.D	387
Walker, E.J	579
Wallace, W.C	709
Weiss, P.T	1
Welles, M.J	387
Williams, Jan	785
Williams, S.V	987
Young, D.A	987

INDEX

Action

Page

Administration on Aging 22, 27
Biographical Sketch of Jane A. Kenney 11
Budget 40, 75, 81
Challenge Grants 23
Contributions to OAVP 27
Cost of Living Increases (OAVP) 21, 26, 55, 66
Drug Alliance 21, 30, 69
Foster Grandparent Program 22, 72
Gramm/Rudman Sequester 48, 58
Headstart 56
Inspector General 23, 33, 46, 49
Inter-Agency Agreements 64
Literacy Corps (VISTA) 29, 66
Minority Representation 57
National Community Service 13
National Significance 21, 53, 64
Older American Volunteers 21, 26, 59, 71, 74
Program Administration 18, 31, 36
Project Continuation 19
Reauthorization 13
Recruitment (OAVP) 22
Senior Companion Program 73
Stipend Increases 23, 26, 51, 63
Subsistence 43
Student Community Service Program 18, 20
Transferring OAVP 65
VISTA 14, 20, 23–26, 41, 45, 67
Unexpended Balances 50, 60

Appropriations:
- Appropriating Authorized Levels 224
- Interest on Federal Appropriations 241

Budget:
- CPB Budget Justification 219
- CPB FY 1993 Budget Justification 285
- CPB Request with Respect to Inflation 281
- President's Budget Proposal vs. CPB Request 272

Corporation for Public Broadcasting:
- Administrative Costs 226
- Audit Cycles of Public Broadcasting Stations 241
- Closed Captioning 228
- Community Service Grants 218, 219
- Descriptive Video Service 227

Page

Corporation for Public Broadcasting—Continued
Documentary Funding 237
Distribution of Production Resources 278
Foreign Productions 281
Full Time Employees 240
Independent Television Service 237, 268
Minority Programming 267
National Program Plan 217, 270
Percentage of Industry Income 278
Public Radio Expansion 225
Sequestration 220, 229, 269
Statement Summary 191
Television Decoders 228
Written Statement of Donald E. Ledwig 194
Education/Outreach:
Education and Outreach Efforts 227
Educational Programming 239
Public Television Outreach Alliance 238
Rural Education 283
Student Audiences 282
Public Broadcasting:
Broadcast Inflation 219
Expansion of Public Broadcasting Services 239
Fund-Raising 229
New Public Broadcasting Stations 236
Nonfederal Funding 225
Objectivity and Balance in Programming 226
Perceived Bias of Programming 231
Public Broadcasting Industry Income 217
Public Broadcasting Salaries 230
Situation Comedies on PBS 238
Satellite:
Current Status of Satellite Construction 276
Difference in Satellite Funding Between Administration and CPB 279
Office of Technology Assessment 232
President's Budget Proposal 267
Radio Satellite Interconnection 267
Report to Congress Expenditures 242
Satellite Funding 234
Satellite Replacement 225
Satellite Replacement Costs 224
Satellite Replacement Funding Request 273
Television Satellite Interconnection 267
Vendors for Satellite Replacement 279

Federal Mediation and Conciliation Service

Arbitration 627, 633
Automated Data Processing 635
Budget Estimates 645
Carry-over Cases 641
Collective Bargaining Outlook 631
Contract Expirations 643
Current Negotiations 633

Page

Dispute Mediation 625, 635
Emergency Board Procedures 630
Executive Pay Raise 640
Federal Sector Mediation 634, 640
Field Offices 636
Greyhound Bus Strike 629
Health Benefit Costs 642
Health Care Industry Bargaining 631
Labor-Management Cooperation Program 627, 632, 638
Labor Shortage 631
Mediation Successes and Failures 632
Mediator Caseload 641
New York Daily News 642
Opening Remarks 623, 624
Permanent Replacement of Workers 642
Personnel Benefits 635
Pittston Coal Strike 631
Preventive Mediation 626, 634, 640, 644
Space Rental Cost 635
Strategic Plan 641
Travel Funds 635, 638
Witnesses 623
Workload 634, 637

Federal Mine Safety and Health Review Commission

Additional Staff 172
Appeals 173
Average Value of Cases 173
Case Age 169
Case Backlog 175
Caseload 163
Citations 168
Commissioners 165
Decisions 168
Department of Agriculture 174
Dispositions 170
Equipment 167
Justification of Budget Estimates 177–190
Mines 165
Opening Statement 157, 160–162
Pay Raise 174
Review Cases 163
Salary Increases 166
Settlements 166
Settlements and Evidentiary Hearings 171
Space 168, 174
Staffing 163, 167
Sunshine Act 169
Travel 167
Vacancies 164
Workload 158

Page

National Council on Disability

Achieving Independence 349
Advisory Boards 351-352
Airline Regulations 339
Americans with Disabilities Act 325-326, 351, 361-362
Biographical Sketch—Ethel Briggs 328
1991 Budget Request 326, 358
Closing Comments 328
Committees of the National Council 352-353
Consumers 362
Coordination 349-350
Donations 356
Education of the Handicapped Act 357-358
Education Study 326-339, 340
Employment 339, 341
Establishing Priorities 351
Executive Directors of the National Council 355
Family Conference 352
Fellowship Program 354
Forums 328
Health Insurance 327, 359-360
Meeting Attendance 356-357
Members of the National Council 352
Minorities with Disabilities 347-348
National Center for Medical Rehabilitation Research 360
National Council Meetings 354
National Council Newsletter 353
Native Americans with Disabilities 328
Opening Statement 325
Other Services 353-354
Oversight Responsibility 340
Personal Assistance Services 327, 355-356
Persons with AIDS 362
Prevention 327, 340, 341, 342-345, 362-365
Projected Activities FY 1991 327
Public Awareness 347
Reports 327, 358
Research 346-347
Social Security Administration 348-349
Space Allocation 358
Staff Positions 352
Staff Turnover 355
Statutory Mandate 328
Technology Study 326
Travel 353

Page

National Commission on AIDS

Access to Care 864
AIDS and Disabilities 867-868
AIDS and Drug Abuse 853, 873
AIDS and Drug Strategy 865-866, 873
AIDS and Minorities 864-865
AIDS Policy 849, 858-860, 869-870
Bleach Distribution 870-871
Commission Hearing Dates 839, 885
Commission Initiatives 840-848, 886-902
Commission Members 856-858, 869
Commission Site Visit to New Jersey 872-873
Cost of Drugs 863
Current Authorization 849
Future of AIDS 861
FY 1990 Expenditures 850-851, 855-856
Hemophilia and AIDS 872
Increased Appropriation Request 850, 867
International Issues 866
Justification of Budget Estimates 875-884
Medicare 873-874
Opening Statement by June E. Osborn, M.D 827-838
Pediatric AIDS 862, 870
Reports 858
Staffing 851-852, 854-855, 869
Support Contracts 852-853
Travel Expenditures 855
Travel Restrictions 862-863
Uncertainty over AIDS Extent 865

National Commission on Libraries and Information Science

Budget request, fiscal year 1991 521
Library Services and Construction Act 536
Literacy 522
Native Americans 524
Principles of Public Information Policies 550
Public library statistics 547
Questions submitted by the subcommittee 533
Recognition Awards 554
White House Conference on Library and Information Services 539
Administrative Law Judges Hearings 411
Appeals 432
Board Vacancies 412
Case Backlog 426
Case Handling System 433
Factors Contributing to Decrease Intake 409
Financial Impact 411
Furniture and Equipment 435
GAO Study 407
Increased Staffing for 1991 409
Inspector General 407
Intake for 1990 409
Introduction of Associates 387

Page

Major Equipment Purchase 412
Median Time Lag 409
Questions Submitted by the Subcommittee 414
Regional Offices 431
Representative Delay 440
Representation Cases 427
Space Leave 408
Trust Fund 436
Voluntary Compliance 410
Waste, Fraud and Abuse—Risk of 407

National Mediation Board

Chairman's Opening Statement 710
Eastern Airlines 720
Full Time Equivalent 723
Introduction of Witnesses 709
Justification of Budget Estimates 739
National Railroad Handling 718
Questions and Answers for the Record:
Board Member Role 730
Caseloads 724
Caseload Projections 728
Commuter Railroad Conference 726
Cost Increases 725
Emergency Board Procedures 732
Employee Representation Under Mergers 733
Employment in the Railroad and Airline Industries 729
Guilford Railroad 732
Grievance Cases Index 726
Looking Ahead 737
Mediator Skills 731
Railway Labor Act 735
Representation Cases 727
Staffing 734
Travel 734
Workload 735
Railroad Grievance Forums 722
Railway Labor Act 717, 735
Regional and Commuter Airlines 719
Revised Mediation Caseload 718

Occupational Safety and Health Review Commission

Chairman's Statement 786
Program Changes 788
Commission Quorum 788
Directions for Review 789
Case Backlogs 789
Abatement 790
Excess Funds 791
Review ALJ Decisions 791
Pro se Cases 792
Commission Staffing 793
Caseload 794

Page

Disposition Time 795
Administrative Support Costs 796
Case Inventory 798
Support and Material Cost 799
Staffing and Caseload Distribution 800
Willful Violations 800
Executive Pay Increase 801
Staffing Vacancies and Needs 802
Administrative Cost Decreases 804
Budget Justification 805

Physician Payment Review Commission

Beneficiaries 904, 18, 24, 31, 32, 41
Budget justification 953-985
Commission budget and operations 905, 12-14, 19-21, 25-30, 32, 40, 42, 51-52
Commission members 27-28, 30, 48-50
Geographic payment areas 904, 10, 23, 31, 34-5, 41
Limited license practitioners 904, 7, 23, 41, 43-44, 47
Malpractice 904, 9-10, 23, 35, 31, 35-6, 39-40
Managed care 44
Medicaid 904, 7, 18-19, 31, 38, 41
Medicare Fee Schedule, refinement 903-4, 8-9, 22, 30-31, 33-34, 40
Medicare Volume Performance Standards 903-5, 10-12, 18, 24, 31, 36-38, 41
Nonphysician providers 904, 7, 31, 41, 45-6
Physician payment reductions 918
Practice expenses 904, 9, 22, 31, 34, 40
Practice guidelines 25, 31
Quality and utilization review 39
Rural physicians 23, 44-47

Prospective Payment Assessment Commission

Appropriations Request 989
Computer Services 1001
Hospital Margins 999
Justification of Budget Estimates 1022
Opening Statement 987
ProPAC Recommendations 999
ProPAC Reports 988
PPS Payments and Costs 988
Prepared Testimony 990
Questions for the Record 1004
Research Projects 1000
Salary Expenses 1002

Railroad Retirement Board

Accounting balances 1148
Accounts receivable 1139
Accuracy, payment 1144
Accuracy rates 1135
Actuarial projections 1095
Appointment of new Chairman 1095, 1096
Appropriation request 1079
Automation contracts 1140

Page

Automation equipment 1133
Automation, estimated costs of future 1107
Automation funding 1133
Automation, funding for 1110
Automation plans 1103, 1109
Automation report 1087
Backlog processing 1112
Backlogs 1107, 1144
Backlogs, elimination of 1108
Backlogs, impact on payments to beneficiaries 1108
Benefit rates and effect of sequester 1118
Biographies of:
  Kenneth P. Boehne 1077
  Charles J. Chamberlain 1075
  John D. Crawford 1076
  Peter A. Larson 1078
Client satisfaction study 1097
Commission on railroad retirement reform 1123
Computer capacity study 1104
Computer, cost of new mainframe 1103
Computer, new 1110, 1146
Computer system backup 1123
Dual benefits payments account 1132
Equity balance for retirement trust fund 1098
Experience rating system 1117
Federal role in supporting the railroad retirement system 1097
Financing and payment of vested dual benefits 1096
Income tax transfer 1148
Income taxes collected on vested dual benefits 1096
Inspector General coordination with office of 1149
Inspector General, funding for office of 1129
Inspector General's recommendations 1124
Introduction of associates 1067
Justification of budget estimates 1151
Lapse of administrative funds in fiscal year 1989 1103
Legislation proposals affecting the appropriation 1119
Legislative proposals, other 1121
Original budget request 1130
Overpayment recovery 1118
Pay raise 1142
Percentage of railroad employees residing in States with computer matches 1101
Processing time 1134
Program integrity initiatives 1113
Projected outlays from the railroad retirement account in FY 1991 1102
Projected railroad employment 1102
Ratio of retirement beneficiaries to railroad employees 1095
Remarks of Charles J. Chamberlain 1067
Remarks of John D. Crawford 1085
Repeal of catastrophic health coverage 1123
Sequester, effect of 1142
Solvency of retirement trust funds 1098, 1112
Staffing 1145
Staffing assigned to backlog reduction 1108
Staffing, effect of budget constraints on 1140

Page

Staffing for automation and new legislation 1131
Staffing for experience rating 1141
Staffing shortages 1112
Statement of Charles J. Chamberlain and John D. Crawford 1068
State wage matching 1099
Tax accounting system 1115, 1148
Taxation 1103
Taxation, railroad retirement report 1081
Taxation system, contract funding for 1117
Unemployment rate 1099
Workload forecasts 1136
Yield, average for 1989 1098
Yield on investments 1139

Railroad Retirement Board: Office of Inspector General

Audit Universe 1249
Computer Matches 1262
Cost Saver Handbook 1252–1261
Department of Justice Ruling 1250
Field Office 1248
Future Audits 1262
Impact of IG 1251
Investigations 1248, 1264
Justifications of Budget Estimates 1271
Medicare 1248, 1263
Office of Inspections and Analysis 1247
Opening Comments by Mr. Doyle 1231
Penalties 1249
Questions for the Record 1265
Recommended Savings 1251
Review of Board's Activities 1249
Staffing Increase 1247
Staffing Study 1250
Testimony for the Record 1233–1246
Treasury and IRS 1263
Witness List 1261
Year-End Adjustments 1262

Soldiers and Airmen's Home

Administration 583
Ambulatory Care Usage 596–597
Appropriations History 600, 603, 611
Assisted Living 598
Authorization 587
Budget Request, Original for FY 91 600
Capital Outlay 580, 585, 601–603, 605–607
Classification Schedule for Obligations 600–601
Cummunications, Utilities and Miscellaneous 604
Compensation and Benefits 596
Computer System 594

Page

Conclusion 585
Contracting Out Long-term Health Care Needs 599-600
Cost Per Member 608-609
DOD Study 587-588
Financing 584-585
Governor, Biographic Data 582
Governor, Distinguished Service 595-596
Governor, Recruitment of New 586
Health and Human Services Study 588-589
Health Care Bed Complement 590
Home's Land as National Historic Landmark 604
Independent Living 589
In-house Renovation Projects 604
Inspector General Annual Inspection 592-593
JCAHO Accreditation and Recertification 593-594, 609-610
Justification of Budget Estimates 612-621
Master Plan 603-604
Medical Facility 606
Medicare 598-599
Membership 585, 586-587
Mission 583
Naval Home 609
Operation and Maintenance 580-581, 585, 593, 604-605
Pay and Benefit Increases 594-595, 608
Physical Plant 584, 589
Physicians 597
Projected Deficits 607-608
Purpose 583
Smoking Policy 597-598
Social Isolation 591
Staff, Health Care Trained 599
Staff, Nursing Level 590-591
Transfer Authority Request 588, 606
Trust Fund 596, 608
Waste, Fraud and Abuse 594
Witnesses 579

United States Institute of Peace

Africa 1318, 1341-2, 1362-3
Asia 1318, 1326, 1333, 1363
Audit 1336-7
Biennial Report 1303
Board of Directors 1333-5, 1349
Caribbean 1326
Cold War 1300, 1301, 1306, 1345, 1362
Eastern Europe 1300, 1302, 1307, 1315, 1318, 1326, 1344, 1351-2, 1362-7
Education & Training 1301-03, 1308-11, 1326, 1347, 1408-13
Economics 1319
Endowment 1329-30
Environment 1342
Equipment 1330
Essay Contest 1302-3, 1310-11
Europe 1299, 1301, 1326, 1362
Evaluation 1323

Page

Expenditures by Object Classification 1340
Facility Ownership 1327
Facility Rental 1335
Federal Interactions 1349
Followships 1316, 1317–1320, 1324, 1329, 1331–2, 1339, 1345–7, 1348, 1388–91
Fiscal year 1990 Appropriations 1299, 1359
Fiscal year 1991 Appropriations 1299, 1305, 1315, 1359, 1361
Fiscal year Authorization 1299, 1359
Fiscal year 1991 Budget Request (Institue) 1299, 1305, 1325, 1355–1440
Fiscal year 1991 Budget Request (President) 1303, 1313, 1315, 1340, 1360, 1431–4
Foreign Policy Contributions 1344
Funding History 1370–1
German Reunification 1351–2
Gifts and Contributions from Government 1337
Goals 1300, 1306, 1353–4, 1375–81
Grants 1317, 1323–7, 1329, 1353, 1382–7
Hawaii Outreach Program 1332–3
Hunger and Medical Care 1342
Latin America 1326
Library 1303, 1311–2, 1316, 1320–1, 1328–9, 1350, 1403–7
Low-Intensity Conflict 1343, 1364
Management and Administration 1329, 1423–4
Middle East 1315–6, 1318, 1363
Negotiation 1347
Nuclear Proliferation 1352–3
Personnel 1327, 1330–1, 1372–4
Private Funding 1321–2
Public Affairs and Information 1418–22
Publications and Marketing 1337–9, 1350, 1414–7
Religion, Human Rights, and Ethics 1318, 1331, 1400–2
Research Institutions 1347–9
Research and Studies 1343, 1348–9, 1352, 1392–9
Reputation 1349
Rule of Law 1301, 1318, 1326, 1345
Service Agreement 1337
Soviet Union 1300, 1301, 1307, 1326, 1343, 1344, 1364
Space 1316–7
Structure 1372–81
Third World Conflict 1301, 1307, 1326, 1363
Travel 1332
TV–Video Programs 1302, 1308–9, 1329, 1335–6, 1409–11
United States Institute of Peace Act 1368–9
World Situation 1299, 1300, 1305, 1359, 1362–5

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